Export Performance Assessment
(A Case Study of MAA Garment Factory)

A Research Project Submitted in Partial Fulfillment of the Requirements for the Master Degree in Business Administration (MBA) Specialization in International Business

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Declaration

This is to certify that this thesis entitled ***'Export Performance Assessment: A Case study of MAA Garment Factory'*** *submitted in partial fulfillment of the requirements for the award of Master Degree in* ***Business Administration (MBA)*** *to the College of Business and Economics, Mekelle University, through the Department of Management, done by* ***Ataklti Gebreyesus, Id.No. CBE/PR0002/01*** *is an authentic work carried out by him under my guidance. The matter embodied in this project work has not been submitted earlier for award of any degree or diploma to the best of my knowledge and belief.*

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ABSTRACT

In the age of Globalization firms need to compete internationally to stay in business. Export remains the most widely used entry mode to international business for its less risk and costs involved. MAA garment has been in the export business for about seven years starting from the beginning of 2004 but has not conducted any systematic assessment of its exports yet. The study has assessed the export performance of the MAA garment based on different dimensions that have direct relevance to the export performance construct. Both primary and secondary sources of data are used to assess the export performance. Export Data for the years 2004/5 up to 2008/9 are used and the company managers are interviewed for analysis. Results show that despite the prevalence of some strong sides the company's export performance was at a low stage compared to company goals and major competitors. Recommendations for enhanced performance of exports of the company are also forwarded by the researcher.

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Acronyms

ADLI	**Agriculture Development led Industrialization**
AGOA	**African Growth Opportunity Act**
CBE	**Commercial Bank of Ethiopia**
CEO	**Chief Executive Officer**
CMT	**cut, measure, and trim**
COMESA	**Common Market for Eastern and Southern Africa**
CSA	**Central Statistics Authority**
EBA	**Every thing But Arms**
EP	**Export Performance**
EPOS	**Electronically Point-of-Sale**
EU	**European Union**
FSTS	**Foreign Sales percent of the Total Sales**
GDP	**Gross Domestic Product**
GSP	**General System of Preferences**
ICT	**Information and Communication Technology**
ILO	**International Labor Organization**
LC	**Letter of Credit**
OECD	**Organization for Economic Cooperation and Development**
R&D	**Research and Development**
SBU	**Strategic Business Unit**
SMEs	**Small and Medium-sized Enterprises**
SMV	**Standard Minute Value**
TQM	**Total Quality Management**
USA	**United States of America**
USAID	**United States Agency for International Development**
USD	**US Dollar**

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The trend toward globalization of trade and sales activities has increasingly accentuated the importance of understanding the behavior of firms in foreign markets. Exporting represents a viable strategic option for firms to internationalize and has remained the most frequently used foreign market entry mode chosen (Zhao and Zou 2002), as it provides the firm with high levels of flexibility and a cost-effective way of penetrating new foreign markets quickly (Leonidou 1995). This has resulted, over recent decades, in considerable attention being paid to the export performance of the firm.

Firms' survival and expansion, and the consequent economic growth of many countries, is strongly dependent on a better understanding of the determinants that influence their export performance. With the steady rise in global business and the emergence of global competition, an understanding of the determinants of export performance has become particularly important in today's business environment, and numerous studies have been concerned with identifying the key variables that affect it (Sousa et al., 2008).

The study of export behavior has aroused great interest, both in academic and professional, and in public authorities. Katsikeas et al. (2000) highlight the importance of exports from three perspectives. Firstly, for politicians, who analyze exports as a way to accumulate foreign currency reserves, increase levels of employment, productivity and social prosperity. Secondly, for managers since exports are a form of corporate growth that imply an increase in production capacity, an improvement in financial results and business competitiveness, and also to ensure the survival of the company in a highly globalised marketplace. And thirdly, for researchers, who consider exports as a changing but promising area to develop theories.

Despite a substantial number of studies, the conclusions that can be drawn from the literature on export performance are often conflicting (Zou, Taylor, and Osland, 1998). A major cause of the conflict arises from the utilization of different measures of export performance. Sousa (2004) and Katsikeas, Leonidou, and Morgan (2000) who reviewed a number of empirical studies dealing with export performance, contend that export performance is one of the most investigated issues in international marketing and, likely, the most controversial. So, no yet an agreement exists on which are the characteristics that determine the exporting profile (Dejo-Oricain *et al,* 2009). These divergences may be attributed to a number of causes: (1) differences in methodology, in terms of design, sampling, sample size, data collection, and response rates; (2) context, in the form of the industry or sector contemplated by the research, the country of study, the information source, and moment in time when the data were collected; (3) external environmental factors, such as socioeconomic, political-legal, technological, cultural, and competitive forces; and (4) differences in statistical analysis, in terms of method, reliability and validity issues, and discussion and interpretation of the data (Gertner *et al,* 2005).

Sousa *et al*. (2008) indicate that an increasing number of studies have been conducted outside the USA and contend that there is a void in the literature, as certain parts of Asia, South and Central America, the Caribbean and Africa have received little or no attention from researchers. Firms from developing countries are particularly interesting to study in future research because of their growing presence in an integrated global economy. Moreover, as developing countries are often culturally different from the more advanced countries, they provide a suitable context for assessing the generalizability of the existing knowledge in this area (Zou *et al.* 1997).

The textile sub-sector's product export has earned large sum of foreign currency for Ethiopia. As a result of the governmental export incentives and opportunity of international trading environment, in the past few years, the export of textile product has seen significant increase. Ethiopian textile sub-sector is the third largest manufacturing industry, only after the food processing and beverage industry, and leather industry. In fiscal year 2000/01, with a total output value of 699.91 million birr, the contribution of textile sub-sector to national GDP is 1.35% and to the output value of the manufacturing industry is 8.31% (Rahel, 2007). As a result, an understanding of the factors that influence the export performance of Ethiopian Garment producing firms and assessing performance levels is mandatory for these firms to be competitive in the international market.

Most of the researches done on the export performance are generalized which tried to measure the export performance without differentiation for the Garment and other industries. But, there have been few efforts to develop and test models by taking garment producing companies as their sample. Akyol and Akehurst (2003) for example have tried to explore the international market orientation in the context of Turkish clothing industry. Though very limited in its scope and dimensions used to conceptualize the export performance construct; a recent study by Berihu (2008) to examine the factors that determine productivity and export performance (export sales) of the garment sector in Ethiopia (Addis Ababa), is a notable research done to assess the determinants of export performance for Ethiopian Garment producing firms.

This diversity of empirical findings gives some credibility to the view that considering the characteristics of the specific exporting context leads to a better understanding of those factors that influence export performance. This implies that it may be difficult to suggest universally valid prescriptions for export success, and that situation-specific elements are recognized and emphasized in the process of designing and implementing effective models of export marketing behavior (Walters and Samiee, 1990).

As mentioned in the above paragraphs, most researches so far on the area of export performance are done in the developed countries and might not reflect characteristics of the specific exporting context in the less developed countries. Moreover, most researches are done to assess the determinants of the Export Performance construct without measuring the actual performance for a specific organization. This research would particularly measure the export performance of the MAA Garment factory based on selected dimensions from different studies. The dimensions used in this research are those commonly used by researchers in the field and which are believed to measure the export performance considering specific characteristics in the MAA Garment context.

1.2. Background of the Organization

MAA Garment is a company located in Mekelle, Ethiopia and is wholly owned by Kebire Enterprises, a privately owned Company established and registered in April 2001 under the laws of the Federal Democratic Republic of Ethiopia. With a total production area of nearly 15,000m^2, MAA Garment Factory is furnished with new, state-of-the-art production equipment and machines acquired from the most respected companies/factories in the worldwide garment industry. The following sections include the products, technology, workforce, sales and distribution of the company (www.maagarment.com).

1.2.1. Company Products

The production facility and organization is designed to be flexible to meet customer demands and deliver customer-oriented products. Currently, the company is producing both woven and knitted top and bottom sports outfits/ensembles. Depending on client orders, the company supplies best quality apparels in both casual and classic designs as well as home textiles with high precision design and confection. The company’s products include suits, shirts, trousers, t-shirts, jackets, dresses and blouses, dressing gowns, overalls, nightdresses, fancy items etc.

1.2.2. Technology and Production Facilities

The company is currently producing different styles of both woven and knitted garments with very flexible and brand new state-of-the art technology, consisting of the following machineries and equipment:

Cutting Section: **-** four full size cutting tables, automatic cloth spreading and click press cutting machines.

Design & Pattern Making Section: - **C**omputer Aided Designing and Pattern Making Unit comprising of auto-cad digitizer and plotter.

Make Up Section:- A total of 825 sewing machines, about 84% of them Juki type of different varieties including: single & double, three, four and five thread over lock machines, flat locks, two & three needle feed of the arms, and different specialized machines. Top fuse, collar, cuff and pocket form and pressing devices, collar centre making, sleeve attach and button fastening machines etc.

Finishing Section: - Electric and steam ironing machines, shirt folding devices, trousers opening & leg press seam, machines, different finishing devices including: spot vacuum board & spray cleaning gun, automatic strapping machines, poly bag sealing machines and iron for thermo adhesive paper. Washing unit comprising of washing machines, hydro-extractor and dryer machines.

Quality Control: - Quality control devices including: fabric inspection machine, colour cabinet, master meter, strength tester, sample cutters and other tools and equipments.

1.2.3. Yearly Capacity and Workforce

At full capacity, the company can produce up to 5 million pieces of t-shirt equivalent garments and can accommodate more than 1,200 employees in one shift operation. Currently, the factory has 1050 employees. Civil work is underway for the establishment of MAA Spinning as well as MAA Knitting and Dyeing Factories on a turnkey basis; giving the company additional capacity to cope with increasing customer demands.

The company has established a highly organized fire protection system, well-equipped health care facility, a modern furnished lounge, and overall an atmosphere conducive to quality work. Together these have provided motivation and a pleasant environment resulting in a greater commitment by the employees to corporate objectives.

1.2.4. Sales and Distribution

All customers are accorded personal attention. The company's marketing objectives are to operate globally, mainly in the European, American, and Middle Eastern markets, with a goal of exporting more than 80% of its products. It is using capable, well-established intermediaries as distribution channels to reach the consumers in all markets. The extension of the American trade bill, The African Growth and Opportunity Act (AGOA) and the European preferential treatment of Ethiopia under the "Everything But Arms" (EBA), Agreement are some of the trade opportunities that the company aims to exploit fully.

1.2.5. Export Sales

The company was established with the foreign market as its focus. It aspires to expand its export sales by selling 80% of its products in the international market. The company has highly focused on the international market especially in the first three years of commencing exports where it exported more than its plan. Fierce competition from garment producers around the world having better productivity has forced the company to sell some of its products in the local market where competition is moderate.

1.3. Statement of the Problem

Exporting continues to be an important economic activity for most developing nations. It has grown considerably in Ethiopia in recent years following the export-led development strategy adopted by the government of the Federal Democratic Republic of Ethiopia. It should be noted that one possible way of increasing exports at a national level is through stimulating exporting companies to export more (Katsikeas et al, 1995). It follows that the export behavior and performance of current exporters is an area of legitimate interest, and such studies can be of importance to both public and private sector administrators concerned with future export development and success. As a result, an understanding of the factors that influence the export performance of Ethiopian firms and assessing performance levels is mandatory for these firms to be competitive in the international market.

A preliminary investigation in the MAA Garment has revealed that the company has not conducted any performance assessment for its exports since its inception in 2001. Though the company could be considered a regular exporter there was no any systematic assessment of Exports, nor, was there any particular section/individual responsible for exports as it was done merged together with the domestic trade.

This research tries to systematically assess the export performance of the above mentioned organization based on different dimensions that could well depict the position of the organization as measured by these dimensions thereby to provide it with valuable suggestions for better performance of its Exports.

1.4. Objectives of the Study

1.4.1. General Objective

The general objective of this paper is to assess the export performance of the MAA Garment in the period 2004/5 through 2008/9.

1.4.2 Specific Objectives

1) To measure the Foreign Sales Percent of Total Sales (FSTS) for the organization in the period 2004/5-2008/9.
2) To measure the Export sales and growth in the years 2004/5-2008/9.
3) To assess the Export Commitment of the organization.
4) To measure the Export Experience of the organization.
5) To evaluate the Export performance of the organization by relevant dimensions as assessed by its managers.

1.5. Research Questions

The questions addressed by this research are:

1. What is the Foreign Sales Percent of the Total Sales (FSTS) measure for the company under study (2004/5-2008/9) and what are the implications?
2. What is the level and growth of export sales in the years 2004/5-2008/9?
3. How committed is the organization to Exports in terms of
    a. Having a separate export department?
    b. Export regularity?
    c. Export Orientation?
    d. Planning and Controlling Exports?
    e. Having Research and Development in Exports?
    f. Regular Export market visits?
    g. Having an Export marketing strategy?
4. How experienced is the company in terms of
    a. Age in exports?
    b. Geographic diversification?
    c. International experience?
5. How is the performance of exports in the company under study as assessed by its managers in terms of
    a. Supply chain?
    b. Marketing information?
    c. Firm size?
    d. Quality of Products?
    e. Availability of Incentives?
    f. Competitive advantages?
    g. ICT implementation?
    h. Overall rating by company managers?

1.6. Research Methodology

A descriptive type of research has been found necessary as the purpose of this research is to look at the export performance of the organization under study. The strategy adopted is a case Study that uses both qualitative and quantitative approaches. The *MAA Garment Factory* has been selected for it was established with the export market as its focus and is one of the few exporting companies based around the researcher's area of schooling and which have stayed in business for a relatively longer period of time than other exporters.

1.6.1. Population and Sample for the Study

The issue of sampling in this study had little significance as the main aim of the study was to explore the export performance of MAA garment. The heads for marketing, merchandizing, and planning departments have been selected by using judgmental sampling technique for it is believed that these are the key informants who could provide rich-content information regarding the study area. These individuals were approached for interview by the researcher.

1.6.2. Data collection methods

Both primary and secondary data are used in this research. The primary data is collected through separate interviews with key informants in the organization, particularly with the heads of the marketing, merchandizing, and planning departments as proposed through the use of judgmental sampling technique. Secondary data that have much relevance with problem to be studied are also taken. These include company income statement, exports list for the years 2004/5-2008/9, and other relevant materials.

1.6.3. Method of Data Analysis

Computations are done on the collected data which include the export intensity ratio (foreign sales to total sales ratio), export level (USD) and growth (percentage increases), export regularity (frequency of exports), and geographical diversification (number and expansion of markets). In addition to these, the export commitment of the organization and the export performance as measured by the perception of its managers are included.
Export performance can be measured by using objective or subjective measures. Objective measures are concerned with absolute performance indicators whereas subjective measures are concerned with performance of a business compared to that of its competitors, or relative to a company's expectations. In this study, both the objective and subjective methods are applied. Export Sales, growth, and intensity are the objective measures of performance. Export growth is considered to be export sales growth for the company over the five years in percentage terms, and this is calculated from the export figures provided by the company. Moreover, the export commitment (export marketing strategy, export staff, export regularity, export department, research ad development, planning and control, orientation, market visits, and management characteristics), the export experience(age in exports, geographic diversification and international experience) and the managers' perception of the company's export Performance are examined by using different parameters which include the supply chain, firm size, ICT implementation, competitive advantage, marketing information, product quality, and incentives.

1.7. Significance of the Study

This research provides managers of the company under consideration with guidelines for measuring the level of the company's export performance and insights into its policies and practices. The findings of this research have a number of important implications for garment companies involved in export trade in general and the MAA garment in particular for understanding the skills, resources, and strategies specific to achieving superior export performance.

1.8. Scope and Limitations of the Study

This research assesses the Export performance of the MAA Garment over the years 2004/5 - 2008/9. Export data as provided by the MAA Garment for the years 2004/5-2008/9 is used as a five year data is believed to reasonably depict the performance. This study relies partially on the top managers' self-reported measures of some performance dimensions. The use of key informants is found necessary and appropriate for the study. The advantage of this approach is that it focuses on the most knowledgeable respondents, which can be more accurate than taking the average of several informants; hence, other respondents from the company or a respondent from outsiders such as agents, distributors or buyers are not considered.

There are some limitations of this study. These limitations serve as indicators of future research directions. This study partially relied on top managers' self-reported measures for some of the parameters. Although respondents were asked to provide the actual, not desired, responses, the self-reporting nature of the survey allows the possibility of respondents providing desired not actual responses and these responses might be subject to bias.

Obviously, it is important to contrast a company's export performance as assessed internally in the company with the export performance perceived externally by other parties such as agents, distributors, or buyers; however limitations in time and financial resources prevented this research from employing multiple respondents from the company or a respondent from outsiders such as agents, distributors or buyers.

This research effort is restricted to an export performance evaluation with in a single company context, thus caution may be exercised in generalizing the present findings too broadly. Realistically, nonetheless, generalizations of the study findings may be applicable to those exporting frameworks with similar structural characteristics and export marketing contingencies.

Some of the data required for the research are not available in the needed format or are not summarized hence conversion of these data is done by the researcher himself. One of the commonly used parameters, the *Export Profitability*, could not be computed for lack of data. It would have been very important for the research if the data were put in the required format and all relevant data were available to better depict the export performance of the company.

CHAPTER TWO

LITERATURE REVIEW

2.1 What is Export?

The term "export" is derived from the conceptual meaning as to ship the goods and services out of the port of a country. The seller of such goods and services is referred to as an "exporter" who is based in the country of export whereas the overseas based buyer is referred to as an "importer". In international trade, "export" refers to selling goods and services produced in home country to other markets (http://en.wikipedia.org/wiki/Export).

2.1.1 Advantages of exporting

Any company, before committing its resources to venture in the export business, must carefully assess the advantages and disadvantages of exporting into a new market. While some companies enter the export business unintentionally after receiving order to purchase from foreign buyer that found their product; others make a deliberate move and conduct thorough research before entering new market. Whether it is unintentional or deliberate move companies need to evaluate and carefully assess the advantages and challenges of exporting before committing resources (http://www.globalexpertbase.com/wp-584-238.html).

Firms involved in export business could get different advantages some of which are increased sales and profits, gain global market shares, diversification, lower per unit costs, enhance domestic competitiveness, compensate for seasonal Demands, create potential for company expansion, sell excess production capacity, gain new knowledge and experience and expand life cycle of product (http://www.globalexpertbase.com/wp-584-238.html).

2.1.2 Disadvantages of exporting

While the advantages of exporting by far outweigh the disadvantages, small and medium size enterprises especially face some challenges when venturing in the international marketplace. For small firms, selling goods and services to foreign markets seems to be more difficult than serving the domestic market. The lack of knowledge for trade regulations, cultural differences, different languages and foreign-exchange situations as well as the shortage of resources and staff are some of the problems. The main disadvantages/challenges according to http://www.globalexpertbase.com/wp-584-238.html sourced on May 2010 include:

Extra Costs: Because it takes more time to develop extra markets and the pay back periods are longer.

Product Modification: When exporting, companies may need to modify their products to meet foreign country safety and security codes, and other import restrictions.

Financial Risk: Collections of payments using the methods that are available (open-account, prepayment, consignment, documentary collection and letter of credit) are not only more time-consuming than for domestic sales, but also more complicated.

Export Licenses and Documentation: In many instances the documentation required to export is more involved than for domestic sales.

Market Information: Finding information on foreign markets is unquestionably more difficult and time-consuming than finding information and analyzing domestic markets.

Entering an export business requires careful planning, some capital, market know-how, access to quality product, competitive pricing strategy, management commitment and realizing the challenges and opportunities without which is almost impossible to succeed in the export business (http://www.globalexpertbase.com/wp-584-238.html).

2.2 Ways of exporting

The way a company chooses to export its products can have a significant effect on its export plan and specific marketing strategies. The basic distinction among approaches to exporting relates to the company's level of involvement in the export process. The company can decide to export directly or indirectly to a foreign country. Direct selling involves sales representatives, distributors, or retailers who are located *outside* the exporter's home country. This approach is the most ambitious and difficult, since the exporter personally handles every aspect of the exporting process from market research and planning to foreign distribution and collections. Consequently, a significant commitment of management time and attention is required to achieve good results. However, this approach may also be the best way to achieve maximum profits and long-term growth. The following paragraphs show the different types of direct and indirect sales (http://en.wikipedia.org/wiki/Export).

Direct selling through distributors

It is considered to be the most popular option to companies, to develop their own international marketing capability. This is achieved by charging personnel from the company to give them greater control over their operations. Direct selling also gives the company greater control over the marketing function and the opportunity to earn more profits. A distributor in a foreign country is a merchant who purchases the product from the manufacturer and sells them at profit. Distributors usually carry stock inventory and service the product, and in most cases distributors deal with retailers rather than end users.

Direct selling through foreign retailers and end users

Exporters can also sell directly to foreign retailers. Usually, when products are limited to consumer lines; it can also sell to direct end users. A good way to generate such sales is by printing catalogs or attending trade shows.

Direct selling over the Internet

Electronic commerce is an important means to small and big companies all over the world, to trade internationally. E-commerce is important for marketing growth among exporters companies in emerging economies, in order to overcome capital and infrastructure barriers. It has eased engagements, provided faster and cheaper delivery of information, generates quick feedback on new products, improves customer service, accesses a global audience, levels the field of companies, and support electronics data interchange with suppliers and customers.

Indirect selling

With this approach, a company engages the services of an intermediary firm capable of finding foreign markets and buyers for its products. Indirect export is simply selling goods to or through an independent domestic intermediary in the firm's home county which then exports the products to customers in foreign markets.

2.3 Export Performance

Performance is a measure of the results achieved. Performance efficiency is the ratio between effort expended and results achieved. The difference between current performance and the theoretical performance limit is the performance improvement zone. Export performance is the relative success or failure of the efforts of a firm or nation to sell domestically-produced goods and services in other nations. Export performance can be described in objective terms such as sales, profits, or marketing measures or by subjective measures such as distributor or customer satisfaction. As a result of the increasing tendency towards a global economy and the severities of trade deficit pressures by many countries, firm behaviour and performance in export markets has received considerable research attention over the last two decades (Katsikeas, 1995).

2.4 The need for Export performance assessment

In recent decades, there has been a gradual opening and interdependence of economic and political systems that have led to economic globalization. As a result, companies, and particularly SMEs (small and medium enterprises), are the main players in the international arena where exporting is central to their survival (Dejo-Oricain, et al, 2009).

The study of export behaviour has aroused great interest, both academic and professional, and in public authorities. Katsikeas et al. (2000) highlight the importance of exports from three perspectives. Firstly, for politicians, who analyse exports as a way to accumulate foreign currency reserves, increase levels of employment, productivity and social prosperity. Secondly, for managers since exports are a form of corporate growth that imply an increase in production capacity, an improvement in financial results and business competitiveness, and also to ensure the survival of the company in a highly globalised marketplace. And thirdly, for researchers, who consider exports as a changing but promising area to develop theories (Dejo-Oricain, et al, 2009).

2.5 Current Measures of Export performance

Despite a substantial number of studies, the conclusions that can be drawn from the literature on export performance are often conflicting. A major cause of the conflict arises from the utilization of different measures of export performance. Shoham (1998) identified 29 measures of export performance found in the literature. More recently Sousa (2004) reviewed 43 empirical studies published between 1998 and 2004 and noted 50 different operational aspects of export performance. Katsikeas, Leonidou, and Morgan (2000), who reviewed more than 100 empirical studies dealing with export performance, contend that export performance is one of the most investigated issues in international marketing and, likely, the most controversial. They argue, “To some extent, this problem can be ascribed to difficulties in conceptualizing, operationalizing, and measuring the export performance construct, often leading to inconsistent and conflicting results". Several authors have attempted to develop a more structured and consistent approach to research in this field by addressing export performance as a construct. As with any measure, export performance measures consist of conceptual and operational definitions (Tull and Hawkins 1987). The conceptual definition attempts to define export performance. The operational definitions establish how export performance can be measured. Conceptual definitions of export performance are explicitly stated in only a very few studies and only a few researchers have developed conceptual definitions of export performance (Dejo-Oricain1 et al, 2009).

So, no yet an agreement exists on which are the characteristics that determine the exporting profile (Dejo-Oricain *et al,* 2009). These divergences may be attributed to a number of causes: (1) differences in methodology, in terms of design, sampling, sample size, data collection, and response rates; (2) context, in the form of the industry or sector contemplated by the research, the country of study, the information source, and moment in time when the data were collected; (3) external environmental factors, such as socioeconomic, political-legal, technological, cultural, and competitive forces; and (4) differences in statistical analysis, in terms of method, reliability and validity issues, and discussion and interpretation of the data (Gertner *et al,* 2005).

Although some researchers have advanced useful conceptual and operational frameworks, they all suffer from content limitations (in terms of collective exhaustiveness of the construct's domain) as well as methodological shortcomings (e.g., the modeled relationship between indicators and construct). A critical review of these classification and characterization efforts indicate that the complex and multidimensional nature of the export performance phenomenon has been acknowledged along the years. This evolution notwithstanding, there remain some flaws in the analytical frameworks that have been proposed: some of them are incomplete because they do not include some key characteristics of the export performance phenomenon; some tap aspects that conceptually lie outside the export performance domain (Carneiro et al., 2007).

A systematic review of the pertinent empirical literature suggests that the vast majority of the research efforts have surveyed firms connected with exporting from highly industrialized countries, particularly the US and Canada. An implication of this is that it may be both dangerous and potentially misleading to infer generalizations from such findings to export marketing contexts in other countries, especially those at a different stage of development and/or with a different domestic market size (Katsikeas, 1995). Despite the rise in the number of studies conducted outside the USA, there are still countries from certain parts of Asia, South and Central America, the Caribbean and Africa that have received little or no attention from researchers. Firms from developing countries are particularly interesting to study in future research because of their growing presence in an integrated global economy. Moreover, as developing countries are often culturally different from the more advanced countries, they provide a suitable context for assessing the generalizability of the existing knowledge in this area (Dejo-Oricain1 et al, 2009).

However, despite these research efforts to identify and examine the influence of various determinants of export performance, the literature is fragmented and atheoretic, hindering scholarship and practical advancement in the field (Katsikeas et al. 2000). The resulting lack of a comprehensive theory base for explaining export performance makes it difficult to integrate findings from different studies into a coherent body of knowledge (Aulakh *et al.* 2000). In fact, the literature on export performance is probably one of the most widely researched and least understood areas of international marketing. Not surprisingly, therefore, the current literature on export performance is (a) fragmented, consisting of numerous studies that are characterized for adopting a variety of analytical techniques and methodological approaches, (b) diverse, investigating a substantial number of different determinants of export performance, and (c) inconsistent, reporting different and often contradicting findings on the influence of various determinants of export performance, causing confusion and misunderstanding with regard to those constructs that significantly affect performance in this respect.

Most of the researches done on the export performance are generalized which tried to measure the export performance without differentiation for the Garment and other industries. But, there have been few efforts to develop and test models by taking garment producing companies as their sample. Akyol and Akehurst (2003) for example have tried to explore the international market orientation in the context of Turkish clothing industry. Though very limited in its scope and dimensions used to conceptualize the export performance construct; a recent study by Berihu (2008) to examine the factors that determine productivity and export performance (export sales) of the garment sector in Ethiopia (Addis Ababa), is a notable research done to assess the determinants of export performance for Ethiopian Garment producing firms.

This diversity of empirical findings gives some credibility to the view that considering the characteristics of the specific exporting context leads to a better understanding of those factors that influence export performance. This implies that it may be difficult to suggest universally valid prescriptions for export success, and that situation-specific elements are recognized and emphasized in the process of designing and implementing effective models of export marketing behavior (Walters and Samiee, 1990).

As mentioned in the above paragraphs, most researches so far on the area of export performance are done in the developed countries and might not reflect characteristics of the specific exporting context in the less developed countries. Moreover, most researches are done to assess the determinants of the Export Performance construct without measuring the actual performance for a specific organization. This research would particularly measure the export performance of the MAA Garment factory based on selected dimensions from different studies. The dimensions used in this research are those commonly used by researchers in the field and which are believed to measure the export performance considering specific characteristics in the MAA Garment context.

2.6 Perspectives in Export Performance Measurement

According, to Carneiro et al. (2007), the export performance is characterized by two major classification dimensions: conceptual aspects (definition and characterization of the phenomenon) and methodological decisions (data collection and operational representation of construct).

Table 2.1: Generic Analytical Framework for the Characterization of Export Performance

Conceptual Aspects			Methodological Decisions		
Classes of measures	**Frame of reference**	**Temporal orientation**	**Unit of analysis**	**Mode of assessment**	**Indicators structure**
•Economic •Market •Behavioral/ situational •Strategic •Overall •Other measures	•Absolute •Relative ○ competitors' average ○ benchmark ○ domestic operations ○ other firm's international ventures ○ pre-set goals	•Static ○ recent past ○ Future expectations •Dynamic ○ change in recent past ○ expected change for the future	•Corporate •SBU •All export ventures •One export venture	•Objective ○ from secondary sources ○ self-reported •Subjective ○ self-evaluation ○ evaluation by competitors ○ evaluation by experts	• Independent indicator(s) ○ single ○ multiple • Aggregated scales ○ Reflective ○ Formative

Source: Adapted form Carneiro, Da Rocha and Da Silva (2006).

Conceptual aspects include: classes of measures, frame of reference and temporal orientation where as methodological dimensions include unit of analysis, mode of assessment and indicators structure.

Classes of measures include economic (e.g., profitability, sales), market (e.g., market share, reputation, customer satisfaction), behavioral / situational (e.g., attitudes towards exports, exporter *vs*. non-exporter dichotomy), strategic (which involve attainment of broader, usually longer-term, objectives, such as developing competencies, retaliating a competitor, entering business networks), overall evaluation (e.g., perceived success, satisfaction with export activities, confirmation of expectations), and others (which might include internal business processes, innovation and learning, social or environmental measures).

Frame of reference refers to absolute where the value itself is reported or relative, that is, "good" or "bad" depending on the value of some point of reference which could be main competitors' average, some benchmark, domestic operations, other international ventures of the firm, or pre-set goals.

The *Temporal orientation* could be static i.e. measured at a given point in time or dynamic indicating change between two periods of time. Both static and dynamic measures can cover either a past or a future time.

Unit of analysis refers to whether some or part of the firm–market is assessed. Theses could be corporate (all firm's markets), SBU (or product / product line in all firm's markets), all firm export ventures (in all export markets), or specific export venture (specific product-market combination).

Mode of assessment Data may be considered *objective* (supposed to be the same no matter what the specific source or who reports it) – collected either from secondary sources or primary (self-reported) sources – or *subjective* (dependent upon the personal opinion or perception of the respondent) – collected either from primary sources (be it self-evaluation or evaluation by competitors or by external experts) or from secondary sources (case material).

Indicators structure. The totality of the performance indicators collected can be arranged in different combinations, be it for interpretative purposes or for use in statistical procedures. A researcher may use manifest-like (i.e., directly observed) variables, either just one *single indicator* (an approach that has several drawbacks) or *multiple independent indicators*. Or else, indicators can be combined to form *composite scales* (latent variables), which could be *reflective* in nature – whereby the (observed) indicators of performance are considered or assumed to be effects or manifestations of a (latent) performance factor – or *formative* – whereby the (observed) indicators are assumed to 'cause' or determine performance. A researcher can use either one *single scale*, which would incorporate all performance indicators, or *multiple scales*, which would each represent a combination of a group of indicators.

The classes of measures used in this research include economic (sales), behavioral (attitude towards exported products), strategic (attainment of export plans), and overall evaluation by managers. Both absolute and relative frames of reference are included in the research. The temporal orientations used in this research are both static (current measures for some of the dimensions) and dynamic which measure the trend of dimensions of export performance over the five year period.

The MAA garment factory is taken as a unit of analysis and both objective and subjective modes of assessment are used in this research. Reflective as well as formative indicators of export performance are used.

2.7 Classes of Export Performance

Different classes of the export performance construct have been identified in the literature. Valos and Baker (1996) used a classification system between tangible and intangible classes. Tangible determinants were defined as physical resources such as machinery or finance as well as manifestations of the "four Ps", such as product and distribution, and finally systems such as TQM or customer monitoring. Attitudinal intangible determinants were defined as those of company management, and include attitude to risk, commitment, objectives and international vision. Skill-based intangible determinants comprised both management and staff competences such as marketing, export planning, strategic planning, etc. Finally, knowledge based intangibles included documented and undocumented (informal) market and country knowledge possessed by both management and staff.

Maurel (2006) has used the differentiation between internal and external classes of measurement. Internal determinants of EP are factors related to firm characteristics, management and resources. External (or ‘‘incontrollable’’) include the environment of the firm and the industry.

According to Zou et al, (1997) five broad groups of determinants of export performance have been identified. The groups of factors are: firm characteristics, product characteristics, market characteristics, industry characteristics, and export marketing strategy.

As indicated in section 2.5 there is no an agreed up on measurement of export performance and hence none of the classes of export performance mentioned above is entirely followed by the researcher. Only those classes of measures which are relevant to the cased organization are assessed directly or indirectly.

2.8 Commonly used criteria in EP

As mentioned in the previous paragraphs, different authors have used different perspectives and criteria to measure the export performance. Here are only some of the widely used criteria by different researchers in the field.

International experience According to Chetty et al. (2006), the international experience is defined as the "experiences from past businesses in diverse foreign markets". As indicated in Constantine Katsikeas, Piercy and Ioannidis (1995), a firm's exporting experience has a positive effect on export performance (Madsen, 1989), the degree of internationalization (Dominguez and Sequeira, 1993), and attitudes towards future exports (Gripsrud, 1990).

Geographic Diversification has also been considered as a determinant of export behaviour. It is defined as expansion across the borders of global regions into different geographic markets. It is, therefore, an indicator of the geographical scope and technological and cultural diversity of the export destination countries (Zahra et al., 2000).

Information and Communication Technology Following Tan et al. (2007), the introduction of ICT is a necessary but not sufficient condition to stimulate export behaviour. This is because the organization must ensure that information is properly processed and exploited to effectively reduce the uncertainty and risk associated with exporting.

Export Regularity Greenaway et al. (2007) highlight the importance of distinguishing between firms that export continuously and those that do not, as the introduction into international markets creates substantial input costs, such as gathering information about destination markets, developing distribution channels, modifying products and packaging to the country of destination, knowledge and compliance with international standards, among others.

Foreign subsidiaries/ shareholders The empirical results of Kneller and Pisu (2004) show that foreign subsidiaries are more likely to export than domestic enterprises. Indeed, if they already export they probably do so in greater numbers. And Requena-Silvente (2005) finds that the existence of foreign shareholders favors the internationalization of the company.

Company size Large companies have advantages related to their size that make them more efficient in terms of export. As indicated in Constantine Katsikeas, Piercy and Ioannidis (1995), Cavusgil and Naor (1987) and Christensen et al. (1987) have concluded that the larger the company the more likely it is to export. Reid (1983) has found that size has a significant effect on the decision to enter new export markets.

Price As indicated in Constantine Katsikeas, Piercy and Ioannidis (1995), it has been shown that competitive export price levels are positively related to export performance (Kirpalani and MacIntosh, *1980*; Madsen, 1989) and export stage development (Moon and Lee, 1990). The same research indicates that domestic market orientation is a major obstacle to a firm’s export involvement and commitment (Karafakioglu, 1986; Kaynak and Kothari, 1984). Moreover, a negative relationship has been reported between the attractiveness of the domestic market and export growth (Madsen, 1989).

Market orientation It has been found that firms that are market oriented are better able to recognize and respond to global changes and opportunities in today’s competitive environment (Rose and Shoham 2002).

Firm characteristics Firm capabilities and competencies appear to be important determinants of export performance. Prasad *et al.* (2001), for instance, reported that possession of competencies such as product development skills, product quality, technical support/after-sales service, product line breadth, cost/price (competitiveness) and customer relationship skills enables a firm to enjoy superior export performance.

Marketing research Several empirical studies have mentioned that marketing research is an important element in the firm's foreign success. In the new era of global competition, it is asserted that firms succeed not because they have superior control over scarce resources (Inkpen 1998), but because they are able to learn and to use this learning more efficiently than others (Larsson *et al.* 1998).

Export marketing strategy A large number of studies have explored the importance of export marketing strategy on export performance, particularly the extent to which the elements of the marketing program (product, price, promotion and distribution) are standardized or adapted across markets.

Management commitment Commitment at the top management level is crucial for the export success of the firm (Cavusgil 1984).

As expressed by Katsikeas, Piercy & Ioannidis (1995) the most commonly used criteria in export performance are: *export-to-total sales ratio* (Beamish and Munro, 1986; Dominguez and Sequeira, 1993); *export sales volume* (Czinkota and Johnston, 1983; Madsen, 1989); *export sales growth* (Cooper and Kleinschmidt, 1985; Madsen, 1989); and *export profitability* (Bilkey, 1978; Dominguez and Sequeira, 1993). Export Intensity is measured as firm's foreign sales as a percentage of their total Sales and reflects the importance of, and/or success of, a firm's international transactions in terms of its overall operations. The Export profitability measures the average profit earned from the sales of exported products. The export sales volume is the dollar amount of exported products whereas the export sales growth indicates the annual percentage growth of export sales.

CHAPTER THREE

FINDINGS AND ANALYSIS

This section analyses the primary data collected through interviews and secondary data computed from company export sales. Five basic dimensions are included which include the export intensity, export Sales level and growth, export commitment, export experience, and other relevant dimensions.

3.1 Export Intensity (Foreign Sales percent of the Total Sales)

Export intensity (measured as firm's foreign sales as a percentage of their total sales) reflects the importance of, and/or success of, a firm's international transactions in terms of its overall operations. While it is arguably the most often used independent variable in the export performance literature, it is not without its critics. Some researchers argue that the Foreign Sales percent of the Total Sales (FSTS) may not measure performance, but rather a firm's level of internationalization, its relative dependence on foreign markets, or even its failure in the domestic marketplace. The prevalent use of FSTS, in spite of its shortcomings, may derive from its ease of collection (White et al., 1998).

Table 3. I The Export Intensity (Foreign Sales Percent of the Total Sales/ FSTS Ratio)

Sales(Birr)	**2004/5**	**2005/6**	**2006/7**	**2007/8**	**2008/9**
Export Sales	**2,974,833.73**	**2,940,781**	**4,767,093.84**	**3,068,682.2**	**3,292,143.51**
Local Sales	**51,531.62**	**666,424**	**985,969.81**	**3,434,749.21**	**3,290,970.35**
Export Intensity	**0.9829**	**0.8152**	**0.8286**	**0.4718**	**0.50**

Source: Computed from company five years performance (Appendix B)

The FSTS Ratios for the company for the last five years are displayed in *Table 3.1*. An FSTS ratio of 0.5 - 1.0 indicates that a firm is getting higher revenue from export sales than it is getting from local sales. And the reverse is true if the ratio is below 0.5. The ratios for the first three years which are all above 0.5 indicate that the company has highly relied on export sales than local sales for revenue generation. The last two years indicated the shift of the company's sales from foreign to domestic market. The year 2007/08 marked a sharp decline in the FSTS Ratio implying a shift from foreign to local sales and the company's higher focus to the domestic market. As compared to the 2004/05 ratio which was as high as 0.98, the 2007/08 ratio shows a sharp decline in the Export Intensity. The ratio for the last year (2008/09) stood at about 0.5 indicating a balance between export and local sales.

As can be seen from the *Table 3.1* the export Intensity had a decreasing trend over the years. This implies that the company is selling higher quantity of its products locally in recent years than it did in the initial years. This was, according to the interviewed managers, mainly due to the inability of the company to compete internationally because of its low productivity compared to other companies world wide; and its subsequent decision to focus at the local market as well. The company imports eighty five percent (85%) of its input requirements indicating a heavy dependence on foreign inputs. Local suppliers of the company have failed so many times to deliver inputs as per agreements and are not reliable to provide agreed upon materials. The company has miserably failed to fulfill its foreign product orders.

Data for July 2008 to June 2009 for example shows that the company has shipped only 12.45 percent of the total ordered. This was mainly because of failure to meet deadlines and low export profitability which forced to the company to reject orders and focus on the domestic market. The company faces fierce competition from Garment producing organizations all over the world. Other foreign companies as the Managers say are more productive and hence have lower prices. Lower productivity reflects itself in higher prices and inability to meet deadlines as well as customer expectations. Tinsae (2006) indicates that Ethiopian garment industries are not in a position to be competitive in the international as well as the local markets due to various problems that are related to inputs supplies. The company's poor supply chain management system according to the managers has been a hindrance to cope up with international needs and wants of customers.

Another factor for the declining Export Intensity of the company according to the managers is the low Export Profitability. The *Export profitability* is a measure of average profit generated from the sales of goods abroad. The Export Profitability for the company in the years 2004/05-2008/09 could not be computed as yearly cost calculations are done for all products with out differentiation for exported and locally sold products. It has been shown that competitive export price levels are positively related to export performance (Madsen, 1989). The low productivity of the company as compared to its competitors in the international Garment industry has been a hindrance to provide products at fair and competitive international prices. The short term solution the company adopted was to expand its sales locally as there are no competitors which could hinder the company from doing so. Ethiopia has a large territory with a large population. The growth rate of the population is 2.7%, creating a large potential market. According to the country's Finance and Economic Development Ministry, the average growth rate of GDP in the past Five years was around 10-11%. As a result of the development of economy and the progress in reduction of poverty as well as the improvement of people's living standards, it is believed that the present market demand for garments would increase. Currently the Ethiopian per capita fiber consumption is roughly 1kg, which is far below the world's average level of 8.7kg and Africa average level of 3.2 kg. It is estimated that domestic fiber demand will increase at an annual rate of 5% and the large and continuously increasing domestic market will fuel the development of the textile sector (http://www.ethiopiaemb.org.cn/bulletin/209/003.html). The better profitability the company enjoys in the local market is one of the reasons for the decreasing trend in Export Intensity.

According to Berihu (2008), firms might produce goods for sale in domestic and export markets, and shift output between markets when it becomes profitable to do so. Such a trade-off will be manifested as a negative relationship between domestic and export sales, because sales to one market deny sales to another. This is expected to dominate in developing countries because firms in these countries have limited capacity (both in terms of technology and size) and have domestic sales and export sales tend to substitute each other. This view complements Cheng, 1999 who states that an increase in domestic demand encourages domestic sales and discourages exports. The decreasing Export Intensity in the company in recent years could thus negatively affect the expansion of export sales.

It should be noted that the decrease in the FSTS Ratios in the study period does not show decrease in absolute export levels; in fact, both the local and export sales for the company have increased during the period on average by 371.34 and 4.5 percents respectively. The percentage growth of local sales by far exceeds the percentage growth of export sales because of the above mentioned reasons.

The dwindling of export sales' shares thus was mainly due to problems in supply chain and the less export profitability of the company compared to other competitors around the world. According to the managers, the company needs to increase its export profitability by providing products at fair and competitive prices. The supply chain is also an area that needs due attention according to the managers.

3.2. Export Sales Level and Growth

A company's export sales level and its growth is a manifestation of its international business success. Thus, firms with better export sales and growth are those that have better advantage to be competitive in the international arena and take hold of substantial market share. *Table 3.2* shows the local and export sales level in Birr amounts and sales growth for the company during the period 2004/5-2008/9. Export growth is considered to be export sales growth for the company over the five years in percentage terms.

Table 3.2 Export Level and Growth

Sales(Birr)	2004/5	2005/6	2006/7	2007/8	2008/9
Export Sales	**2,974,833.73**	**2,940,781**	**4,767,093.84**	**3,068,682.2**	**3,292,143.51**
Yearly Growth (%)	**-**	**(1.14)**	**62.1**	**(35.62)**	**(7.28)**
Average Growth	**-**	**(1.14)**	**30.48**	**8.45**	**4.5**
Local Sales	**51,531.62**	**666,424**	**985,969.81**	**3,434,749.21**	**3,290,970.35**
Yearly Growth (%)	**-**	**1193.23**	**47.94**	**248.36**	**(4.18)**
Average Growth	**-**	**1193.23**	**620.5**	**496.5**	**371.34**
Total Sales (Local and Export)	**3,026,365.35**	**3,607,204.37**	**5,753,063.65**	**6,503,431.41**	**6,583,113.86**

Source: Computed from company Five years performance (Appendix B)

The company under consideration has exported as low as 2,940,781 Birr worth items in 2005/6 and as high as 4,767,093.84 Birr worth items in 2006/7. The company's average yearly export sales i.e. the average of the yearly export sales during the five years time is around 3.4 million Birr. Compared to other garment producing companies, the company's level of export sales could be said to be low. A prominent competitor around the region, Almeda, for instance has exported on average worth 20 million Birr items during the years under consideration which is around six times the sales of MAA Garment. Other garment producing companies located in Asia having efficient and large-scale production and low costs have exported far better the company under consideration. China's clothing exports for example have grown to about a quarter of the world total since it joined the

World Trade Organization in 2001and it is forecasted that share will double in less than five years showing the magnificent amount of dollars enjoyed by Chinese garment producers (Kelegama, 2005).

The growth in the export sales as could be shown in *Table 3.2* is characterized by fluctuations with no consistent pattern of growth/decline. The year 2006/7 marked a sharp increase in the export sales which was around 62 percent of the preceding year. The following year (2007/8) marked a sharp decline for the company's export sales mainly due to shortage of international customers who could buy the products at the price provided by the company. The average growth calculated from the four growth figures indicates that the company's exports have increased on average by 4.5 percent during the period under consideration. This a very low figure compared to the company's local sales growth measured at 371 percent and the international market demand for Garment which has highly increased in recent years following the increment in world population and its purchasing power. The World Bank has predicted that China's share of garment exports in the world will rise to 50 per cent by 2010. In other words, Chinese exports are expected to double in six years, mostly at the expense of other developing countries (Kelegama, 2005). The low level of exports is according to the interviewed managers attributed to different reasons among which are the low working culture of employees, high turn around time, high lead time, poor supply chain, high down time and low attitude by foreign purchasers toward Ethiopian products. Each of the reasons for low level of exports is discussed in the following paragraphs.

The managers emphasize the low labor productivity in the company for its low level of exports and its sluggish growth. According to OECD (2002), labour productivity is defined as "the ratio of a volume measure of output to a volume measure of input". Traditionally however output per worker has been used to measure productivity growth (Berihu, 2008). According to the ILO Ethiopia's annual productivity per employee is $1,626 and is one of the lowest even compared to other African countries. The company enjoys a very low Labor cost compared to other garment producing companies all over the world. Labor costs however amount to 15 to 20 per cent of the overall cost. Thus, there are a number of non-labor aspects that contribute to low productivity. The inefficiency and low working culture of the existing manpower is a major obstacle to increase productivity and become competitive in international business. The company has recently planned to reduce its manpower (unskilled) by three percent each month in a bid to remove the least performing i.e. those performing below 50% of the standard and hire new staff. It has also arranged programs to encourage (motivate) and boost the working spirit and culture of its employees. Countries with growing and vibrant textile and apparel industries link worker productivity (performance) and all labor costs, and hence the managers indicate that worker conditions like the wages shall be increased to enhance the productivity.

Reliability for delivery is as important as cost of producing a garment item. Textiles and apparel are perishable goods and should be delivered on smaller lots and in a timely manner to save inventory cost and to reduce risks of the retailers. This has profound implications for producers in terms of having access to fast and reliable distribution systems. As the Planning Department Head explains the problem is not of lack of demand for the company's products but lack of raw material making it very unpredictable to know when inputs would arrive and hence the company has rejected so many orders which could have increased the amount of export sales for company.

The average turn around time for goods ordered and shipped from Asia where major garment producing of the world are located to Europe or the US is 10-12 weeks from order to delivery (www.tipmoz.com/library/resources/.../cat3_link_1183986656.ppt). The company's turn around time from order to point of export as per the manager's estimation is around 14 weeks. It still requires shipping from there to the market – it is, therefore, uncompetitive to make garments available in the international market. This large turnaround time is an issue in the context of competitiveness, particularly when Mexico and Caribbean countries have become major suppliers to the United States under preferential tariff arrangements. Moreover, this problem is of particular concern at a time when "just-in-time" delivery has become an accepted principle and requirement in the global market (Kelegama, 2005).

The company’s average lead time i.e. the time required to order and get inputs from abroad is around 3-4 months implying that once an order is received, production of the ordered items may not start for months until the inputs arrive. Compared to other garment producing companies that could get their input requirements from a nearby location easily the company is at a disadvantage to deliver products competitively. Owing to the lack of a fabric and accessory base (lack of vertical integration), the Lead time of the company remains close to 90-120 days compared with the ideal international lead time of around 60 days.

The standard minute value (SMV) for producing different items is by far larger than other international competitors. The SMV for a Basic T-Shirt for example is 8-9 minutes (employing 10 individuals) in the company. Other major competitors like Vietnamese garment producers have an SMV of about 4 minutes using the same number of individuals. The Standard Minute Value has a profound impact in the garment industry as it determines the level of productivity and the company’s competitiveness in garment business.

The Downtime for the company is around 40% as per the managers’ estimation indicating the substantial amount of time spent due to power interruptions, maintenance problems, and absenteeism which all have a profound implication in the garment industry. The company was hit hard by frequent power interruptions and it depends totally on foreign markets to get accessories where the lead time for arrival is as high as 3-4 months. The company’s daily Absenteeism rate is around 10% which adversely affects the productiveness of the labor intensive garment company.

Another factor for the low export sales is the poor attitude foreign companies have towards Ethiopian products for the country has for so many years had a bad image of famine and poverty. Even though the company was able to create a good image of its products (Brand), there remains a lot in changing the country’s image. Some foreign importers thus do not have a positive attitude to its products and do not trust the Ethiopian companies.

The availability of cut, measure, and trim (CMT) opportunities is in fact an advantage to the company as it reduces the supply chain related problems. According to CMT, the company gets all the required material from the customer (which is industry customer) and is expected to do the finishing part. This increases the competitiveness of the firm in the international market as delivery problem is much reduced and input is directly provided by the foreign customer. A Polo T-Shirt for example is priced 0.63USD under a CMT by the company which is much similar with other Asian producers.

3.3. Export Commitment

Managerial commitment to exporting activities is likely to have a particularly strong impact on the export behaviour and success of Ethiopian companies. This is primarily attributed to the existence of considerable differences in market characteristics between Ethiopia and the more industrialized countries, traditionally the main export market targets for the firm. To ensure export survival and maintain regular exporting operations to such overseas markets, it is important that firms understand different buying attitudes and employ more sophisticated marketing practices in comparison with those in the domestic market. In developing such a capability, resource commitment to exporting, reflected in such activities as export department organization, export planning and control, export marketing research and regular export market visits, is likely to be of major importance (Cavusgil and Naor, 1987). To assess the export commitment of the organization the export marketing strategy, availability of export staff, Export regularity of the firm, availability of an Export department, Research and Development in Exports, export planning and control, export orientation, export market visits, and top management characteristics are included.

3.3.1. Export Marketing Strategy

A firm's propensity and capacity to establish and maintain regular exporting activity depends on its competitive position in those overseas markets targeted in its export strategy. Firms may be able to choose among a number of different methods to compete in export markets. Each pattern of competitive export strategy is correspondingly connected with specific competitive advantages. The market character of export destination might be an important factor influencing the adoption of a suitable export competitive posture, leading to export survival and success (Katsikeas, Piercy, & Ioannidis, 1995).

An interview with the managers has revealed that there is an absence of an explicit decision about specific foreign product-market(s) to be served and formal plan of action in the firm to achieve export objectives. The company currently has no underlying business basis and export strategy for uniting cross-department operations in to a team effort; and hence, no conscious business model for generating profit. Lack of a visible marketing strategy implies that there is no overarching business rationale for molding the actions and decisions initiated across the organization in to a cohesive whole.

3.3.2. Availability of Export Staff

To carry out global operations, companies need people with a variety of specialized skills. Managers and employees must have a global mind set that is sufficiently free of national prejudices and sufficient knowledge about the global environment that they can exert the leadership necessary to attain a global mission. Operating personnel, particularly those with direct international responsibility, must be able to effect a proper balance in well-being between corporate and national operations.

Better-educated managers with a good command of foreign languages and extensive professional experience are more successful in exporting. Lages and Montgomery (2005) found a positive relationship between managers' international experience and export performance due to the fact that managers with greater experience in international business have a better understanding of foreign markets, which may help a firm to identify opportunities while avoiding threats in international markets (Sousa, Martínez-López, & Coelho, 2008).

The company lacks the personnel with the understanding of international business operations and that complements its level of international development and grow with its international commitment. The Marketing and Merchandizing departments are staffed with people with different backgrounds rather than international business or marketing in general. Most of the people in these departments including the heads are textile engineers with only 2-3 years experience in business and so far has not taken any marketing or business trainings and might lack the knowledge of international business operations and marketing strategies. None of the managers in the company have international experience.

3.3.3 Export Regularity

In an attempt to overcome certain innate drawbacks implicit in several exporter classification schemes identified in the literature, Samiee and Walters (1991) pursue a distinction between sporadic and regular exporters. It appears that the export function is underdeveloped among sporadic exporters. These firms pay relatively limited attention to their export marketing activities, in comparison with regular exporters. The authors also suggest that many sporadic exporters do not intend to follow a pattern of natural development to becoming regular exporters. *Export Regularity*, according to Greenaway and Kneller (2007), is estimated by differentiating between regular and occasional exporters. “Regular exporters” are those firms who exported every year in the period of study covered by the researchers i.e. the period between 1997 and 2006.

Data for 2008 and 2009 show the company has exported at least once in a month. These were the only available data regarding export regularity and were counted from the date of shipment column of export data. The managers affirm that the company has exported on average twice a month in the period under consideration complementing the findings for 2008 and 2009. Given the frequency of exports and the company's intention to follow a regular pattern of exports; the company could be considered a Regular Exporter according to Greenaway and Kneller (2007).

3.3.4 Export Department

The *Marketing Department* of the MAA garment is responsible for the overall marketing activities of the organization including export marketing. The company so far does not have a separate export department/division responsible for exports; hence, both local and export marketing tasks are handled by the same department. All such different functions connected with export transactions as advertising, credit, traffic, shipping and accounting are handled by the appropriate domestic departments. Moreover, the marketing department is staffed with people with different backgrounds rather than marketing or international business.

The current structure is suitable under certain conditions, such as when the export business is small, the company is new to international marketing, the management philosophy is not oriented towards growth in overseas business, the company resources are limited, etc...

The fact that the organization is established with a foreign market orientation and has stayed in export business for about 6-7 years calls for the need to establish a separate export department to take effective care of all the activities connected with the export business. A separate export department avoids some of the problems of the current structure such as the clash between the international and domestic sides of the firm rendering the time to be spent by domestic marketing personnel on overseas business matters. Under such arrangement the export department can have personnel trained and equipped with all sufficient knowledge and experience to deal with matters connected with overseas market. A separate department could also impart an export orientation to the staff and shows better commitment to the export business.

3.3.5 Research and Development in Exports

Since the adoption of an export approach based on marketing capability is intrinsic to export performance, it is essential that substantial export marketing skills be augmented and maintained among those firms pursuing regular export operations. Further, exporting manufacturers are more likely to perform well in export markets when they commit adequate resources to undertaking export marketing research. Despite the difficulties and costs involved, the adoption of such activities would be tantamount to reducing the relatively high level of uncertainty which is likely to surround international marketing decisions (Katsikeas, Piercy, & Ioannidis, 1995).

Due to the absence of a separate export department, qualified export staff, and research budget the company does not have conducted any research and development activities in exports yet. Knowledge of exports, and its acquisition and exploitation, which could have served to create sustainable competitive advantages, has been very minimal since the company started regular export business in early 2004.

3.3.6 Export Planning and Control

As indicated by Valos & Baker, 1996, both Aaby and Slater (1988) and Louter et al. (1991) found control systems contributed to export marketing performance and it was found that the absence of formal marketing planning and marketing analysis contributed to poor export marketing performance.

The company's export planning and control activities are handled together with the domestic plan by the planning department. The company's annual plan for each year under the period could not be found because of the poor information management system in the organization. As per the managers estimation the company has achieved about 50-60 percent of its export sales plan in each year during the period under consideration. This low level of performance is mainly attributed to the poor supply chain the company had. Not only was the company poor in achieving its annual plans but also it failed to have long-term planning (strategic planning) of its exports which is believed to be a positive contributing factor to performance.

3.3.7 Export Orientation

The strategic orientation of the firm has been identified as influencing the performance of the firm. As expressed by Sousa, Martínez-López & Coelho, 2008; several authors (e.g. Francis and Collins-Dodd 2000; Lado *et al.* 2004) use the categorization of proactive/ reactive to discern the strategic orientation of the firm. Proactiveness hinges on the firm taking the initiative in venturing out to seek opportunities and in investigating alternative responses to a changing environment. It seems, therefore, logical that, in an exporting context, a proactive orientation is positively associated with the export performance of the firm. Contrary to reactively motivated firms, proactive firms are more aware of internal and external conditions, thereby exhibiting informational advantages that might lead to higher performance levels (Lee and Yang 1990).

The conceptualization of export market orientation implies that the basic nature of the market orientation construct is not changed, but additional factors are required to capture the complexity of the export environment. Thus, the development of the export market-oriented construct is to address explicitly the impact of a firm's market orientation on its export operations. The results here indicate that both market orientation and export market orientation are positively related to the export performance of the firm. The rationale for such a relationship is that, as a market-oriented firm consistently identifies and responds to customers' current needs and preferences, and is able to anticipate future needs and preferences, it will, therefore, be in a better position to satisfy customers and perform well against competitors (Cadogan *et al.* 2002). Thus, market orientation has been identified as a key driver of a firm's competitive advantage, with the suggestion, consequently, that export-oriented firms may benefit by increasing their market orientation.

The interview with the managers and secondary sources of data affirm that the company was established to exploit the export market and generate foreign currency. Despite this fact, the company was very poor to proactively search for international customers and in taking the initiatives in venturing out to seek opportunities and in investigating alternative responses to a changing environment. Moreover, the company lacks the capacity to identify and respond to customers' current needs and preferences, and to anticipate future needs and preferences. The company's lack of visible export market strategy and lack of proactive strategies to take hold of sizable market share indicate the low level of export market orientation in the company.

3.3.8 Regular export market visits

Making regular visits enhances experiential knowledge (which is developed on the basis of information obtained through direct market and customer contact e.g. participation in trade fairs/missions, international market research, or personal visits overseas) and objective knowledge (which is linked to indirect foreign market information acquisition, primarily through published reports or statistics from various governmental agencies) development in relation to overseas markets and operations (Seringhaus, 1986/87).

As per the interviewed managers, the top managers of the company including the CEO of the company make oversees visits at most twice a year in search of markets and to attend trade fairs and workshops. This has facilitated the contacting of new potential customers in recent years and the building of good company image. Gaining such knowledge is critical to the company as it facilitates the identification of foreign market opportunities, which in turn leads to export market commitment decisions. Making such additional trips could enhance the experiential and objective knowledge of the company.

3.3.9 Management Characteristics

Commitment at the top management level in exporting is a necessary organizational ingredient to determine export success. The rationale for this view is that, when managers are committed, they carefully plan the entry and allocate sufficient managerial and financial resources. As a result, uncertainty is reduced and marketing strategy can be implemented effectively leading to better performance (Cavusgil and Zou 1994).

Even though the organization was established to exploit the export market and there were some attempts to make regular export market visits and regular exports, it has been observed that the MAA garment management is less committed to the export trade. Its less commitment to exports has been observed in its absence of separate department, qualified export staff, export orientation, and R&D in exports and decreasing Export Intensity.

3.4 Export Experience

It has been found that a firm's exporting experience has a positive effect on export performance, the degree of internationalization, and attitudes towards future exports (Katsikeas, Piercy & Ioannidis, 1995). The theoretical explanation for the relationship between exporting experience and export performance lies in the issue of uncertainty and the way firms cope with it (Erramilli, 1991). Less experienced exporters are likely to perceive considerable uncertainty, which in turn might adversely affect their perceptions of potential risks and returns about overseas markets and operations. Nonetheless, with increasing exporting experience, firms are likely to perceive less uncertainty in their exporting activities; have a better understanding of foreign market mechanisms; develop a network of personal contacts and customer relationships abroad; and, consequently, design and implement effective export marketing programmes (Madsen, 1989). To assess the Export Experience of the firm the age of the firm in exports, the Geographic diversification and the International experience of the firm are included in this study and are discussed as follows.

3.4.1 Age in Exports

Gripsrud (1990) identified that the more experienced firms were in exporting to a foreign market, the more positive the attitude they would have toward that market and as firms gain more market experience and knowledge, the firms gradually gain positive perceptions of export market environment. The Company has been in export business for more than six years starting from the beginning of 2004 implying the relatively short period of export experience compared to other international competitors which has stayed in the export business for decades. In fact the firm was able to reduce foreign market uncertainty and manage and overcome potential barriers in export markets through its international operations in the last 6-7 years.

3.4.2 Geographic Diversification

Geographic diversification is defined as expansion across the borders of global regions into different geographic markets. It is, therefore, an indicator of the geographical scope and technological and cultural diversity of the export destination countries (Zahra et al., 2000). The presence in a large number of markets allows a company to spread the risk, especially when markets are not perfectly correlated. Moreover, it may favor the company to increase and improve its competitive advantage, which could lead to an increase in exports. To measure *Geographic Diversification*, according to Chetty et al. (2006), the number of export destination countries is used. In addition to the number of markets, the Export Destination Market, and the Rate of new export market entry are also assessed.

3.4.2.1 Number of markets

The number of markets a firm has in its export base is a dominant measure of a firm's export performance. The number of countries served by a firm indicates its success in reaching the international community. An implicit link exists between the number of foreign markets entered and international success, given that if a firm is successful in its international expansion, it continues to expand, while if unsuccessful, it will often take a defensive position and retreat to the sanctity of the domestic marketplace.

Table 3.3 Geographic Diversification of Exports

Year	Country	Number of customers (Companies) served	Total Amount Sales in USD	Percentage
2004/5	**USA**	**2**	**92,125.26**	**29.00**
	UK	**1**	**225,645.90**	**71.00**
2005/6	**Italy**	**1**	**29,660.60**	**7.86**
	USA	**2**	**257,379.90**	**68.19**
	UK	**1**	**90,374.10**	**23.95**
2006/7	**USA**	**2**	**516,402.80**	**100**
2007/8	**USA**	**3**	**279,322.41**	**100**
2008/9	**USA**	**1**	**156,755.80**	**53.85**
	Italy	**1**	**67,105.80**	**23.05**
	Portugal	**1**	**39,585.66**	**13.60**
	Belgium	**1**	**27,654.4**	**9.50**

Source: Computed from company export sales (Appendix C)

As could be shown in *Table 3.3* the company has been conducting export trade to Five (5) countries namely the United States, England, Italy, Portugal and Belgium. Except for the year 2004/05 the yearly majority of the company's products were exported to the USA. Out of the total amount of exports in the five year period 1,301,986.17 USD (around 73%) of it was sent to the USA. The main reason for the expansion of trade to the USA has been the existence of the African Growth Opportunity Act (AGOA) since 2001. Under AGOA, sub-Sahara region of Africa, specifically 48 countries, including Ethiopia are given special preferential trade policy. Ethiopia was entitled AGOA qualifications to export textiles and garments to the United States free of duty and without quota restrictions. All the exports to the USA were sent under the AGOA General system of Preferences.

Moreover, few customers (companies) have been served in each nation showing the low level of geographical diversification the company has in its market base. The maximum number of customers served was in the years 2005/06 and 2008/09 where only four US and European companies were reached in each year.

Ethiopia currently has free access to many markets under General System of Preferences and Bilateral agreements between different states. These include the AGOA, the Everything But Arms (EBA) in which all Ethiopian export products except arms can enter the EU market free of duty and without quota restrictions, the Common Market for Eastern and Southern Africa (COMESA) where Ethiopia is a member of the agreement embracing 20 countries in Eastern and Southern Africa and where exports and imports with member countries enjoy preferential tariff rates. Ethiopia has also signed bilateral trade agreements with 16 nations such as Russia, Turkey, Yemen etc which provide legal framework for enjoying most-favoured-nation treatment and removing tariff barriers. According to Generalized System of Preference (GSP), most of the products made in Ethiopia enjoy tariff treatment in the United States, Canada, Switzerland, Norway, Sweden, Finland, Austria, Japan and the majority of EU member nations. The company thus could expand its market to those where it can enjoy tariff and quota free exports as it enables the reduction of prices and hence increased competitiveness for the company products. Of all the exports in the five year period around 73% were sent under the AGOA General System of Preferences. A study by Rahel, 2007 shows MAA Garment was one of the Ethiopian companies to use the AGOA since 2004. Out of the 10

Ethiopian major garment companies surveyed by Rahel, 2007; MAA's use of the AGOA has stood third next to Adey Abeba and Knit to Finish P.L.C's in 2004.

The exploitation of other GSPs and Bilateral agreements has been very poor as the export has focused on only few markets namely the USA and the Europe. The company for example has sent no product to COMESA member countries in which there is less transportation cost involved and there is better similarity in culture and preferences than the advanced USA and European countries.

3.4.2.2 Export Destination Market

The choice of market for the company to direct its exports is determined by the opportunities and threats presented. Among the factors to take into account is, firstly, the potential demand (Cavusgil and Zou, 1994), because it provides information on potential consumers who will receive the exported products. Secondly, economic development, as the higher the level of development of a market, the more attractive as an export destination it is. This is because, in general terms, further development is associated with increased purchasing power of the population (Ramírez et al., 2006). And thirdly, the proximity to the country of origin since internationalization of a company follows a gradual process, such that the company first exports to countries which are psychologically similar. Then, as it gains experience, it will look towards other markets.

Both the United States of America and the Europe, which are the current export destinations for the company's products, are with huge market potential, purchasing power and advanced living standards of human beings. In 2000 for example, import volume of textiles in the world amounted to US $167.13 billion and the United States and EU were the two largest textile importers, occupying 39.2% of the world's textile import value.

Research on cultural similarity and internationalization indicates that firms initially tend to select countries culturally similar to their own in order to increase their export performance. Foreign market entrants often perceive a significant amount of uncertainty when entering countries not deemed similar to the home country. Quite simply, firms tend to enter nations with like consumer behaviors, market conventions, industry structures, institutional settings and local business conventions, which create a feeling of market similarity (Sullivan and Bauerschmidt, 1990). Unlike the literature, the company under consideration has been exporting to countries more or less with different consumer behaviors, market conventions, industry structures, institutional settings and local business conventions than that of Ethiopia. The company thus could benefit from exporting to other (African) nations which are near to the country and have better similarities than those of Europe and the USA. Exporting to such countries involves less transportation cost and reduced uncertainty.

3.4.2.3 Rate of new export market entry

The Company has served only two markets (nations) in the year 2004/05 and four countries have been served in the last year (2008/09). In between the first and last years the company's exports were sent mainly to the USA. The USA market, in addition to being the largest export base for the company, is the one which is growing fast than the other markets. It has grown to $516,402.80 within two years where it was only $92,125.26 in 2004/05. Two regions, namely, the USA and Europe were reached and there is no any other region reached with in the five years considered. This shows that the company is serving only few markets and has been very slow in expanding its export trade to other new markets. According to the managers, lack of orders from other regions of the world rather than the USA was the main reason for the low level of expansion observed. The company could be said to have been inactive to proactively look for markets by itself for it mainly relied on the company's website to get orders from customers.

3.4.3 International Experience

As a company gains international experience it creates international bonds with customers, suppliers and other business partners. Thus, networks emerge that foster relationships between companies by establishing channels of information that stimulate exports and help overcome the disadvantages of being foreign. Among the international bonds the company may have are foreign shareholders and foreign direct investment, as they are generally considered channels for the international transfer of technology. In addition, the empirical results of Kneller and Pisu (2004) show that foreign subsidiaries are more likely to export than domestic enterprises in large quantities. And Requena-Silvente (2005) finds that the existence of foreign shareholders favors the internationalization of the company (Dejo-Oricain & Ramírez-Alesón, 2009). Following Yasar and Paul (2007) who advocate the importance of the presence of foreign shareholders in the company and subsidiaries abroad, *International Experience* is measured via two variables, existence of foreign shareholders and existence of international subsidiaries.

The MAA Garment is wholly owned by Kebire Enterprises PLC, a property of Ethiopian / Saudi Arabian investor (Business magnate), giving it an advantage over those which are owned by local investors. Its owners are renowned investors having good international experience and knowledge of international business operations. This international experience of the owners is believed to reduce the perceived barrier and complexity of exporting. The company so far does not have a subsidiary abroad implying the lower level of internationalization and exports compared to those owning subsidiaries across the globe. The company needs to enhance the international experience of its managers as they are the ones who are directly responsible for its operations. This could be facilitated through regular export market visits in tradeshows and workshops.

3.5 Additional dimensions having profound impact on Export performance (Assessment by Managers)

In addition to the dimensions used to assess the Export performance like the Export Commitment and Export Experience; different authors have used multiple criteria to assess the Export Performance of organizations. This section assesses the export performance of the organization in terms of different criteria that are commonly used in the literature.

3.5.1 Supply Chain (Inputs)

Access to high quality inputs at reasonable prices determines the competitiveness of garment industries at the local as well as the international market. The company imports about 85% of its input requirements and all of its accessories implying heavy dependence of the company on foreign inputs. The firm is competing in the international market with firms or countries that have their own fabric and accessories components industries or with those that import their inputs from a very near location. These conditions help foreign competitors to reduce their unit cost of production and in turn to be competitive in the international market.

High cost of foreign inputs was mentioned as a severe problem. The high cost of fabrics was found out to be a challenging factor to be competitive in the international market since fabrics holds a large share of costs in the production of garments. Hence, this implies that there is a need of establishing vertically integrated plant which can help to source the inputs from the company itself as this could decrease prices.

Louter *et al.* (1991) has identified supplier reliability as a determinant of exports. Tinsae, 2006 states that most foreign firms do not deliver inputs to Ethiopian firms as per the requisition such as the needed types and quality with the given time. In addition he states that there is serious delay and bureaucracy in clearing goods through customs. Unlike to his (Tinsae) findings, the managers affirm that the company has not faced reliability problems so far and foreign suppliers have performed according to contracts and customs clearance is not a problem.

Out of the raw materials used by textile enterprises, cotton is widely grown in Ethiopia and it is easily available from local suppliers. Ethiopia is endowed with favorable geographical and weather conditions and abundant water resources for the expansion of cotton planting which guarantees sufficient supply of raw material for Garment production. Other materials including chemical fiber, wool, dyestuffs and chemicals as well as a small share of lint depend on imports. In addition to the unavailability of raw materials in the local market the reliability of local suppliers was mentioned as questionable which limits the firm's competitiveness in the local as well as the international market.

3.5.2 Supply Chain (Distribution)

The distribution channel relationships have a positive impact on the export performance of the firm. Relationship marketing involves the creation of strong, long-term relationships with selected customers, suppliers or other value-chain partners of a firm, and is based on two axioms: mutual cooperation and mutual interdependence (Sheth and Parvatiyar 1995).

Garment products should be delivered on smaller lots and in a timely manner to save inventory cost and to reduce risks of the retailers. This has profound implications for producers in terms of having access to fast and reliable distribution systems. This factor poses a considerable challenge and intense problems to producers of developing countries such as Ethiopia (Tinsae, 2006). The problem on overseas distribution of goods mainly takes place due to lack of information about marketing channels, lack of experience in exporting and failure to establish marketing networks.

The company uses direct selling to sell its products abroad. Direct selling involves sales representatives, distributors, or retailers who are located outside the exporter's home country. Direct selling gives the company greater control over its marketing function and the opportunity to earn more profits. According to the managers, the company was very good at establishing long-term, mutual relationships with its existing customers which are major distributors of garment products. Moreover, the company enjoys fast and reliable transport system from the companies involved in transit services. Costs charged by these companies are fair and acceptable according to the managers. The commencing of Letter of Credit (LC) service in the Commercial Bank of Ethiopia Mekelle Branch has facilitated the company’s trustworthiness, an element essential in international business.

3.5.3 Firm size

Cavusgil and Naor (1987) concluded that the larger the company the more likely it is to export. Reid (1983) found that size has a significant effect on the decision to enter new export markets. There are three fundamental factors leading to the formation of expectations that company size is related positively to firms’ behaviour and performance in export markets. These pertain to organizational resources, economies of scale, and the perception of risk in international activity. Specifically, larger exporting manufacturers are widely considered to possess more financial and human resources; enjoy higher levels of scale economies; and perceive lower levels of risks about foreign markets and operations (Bonaccorsi, 1992). These size-related advantages are likely not only to facilitate understanding of foreign market characteristics, but to enhance a firm’s ability to respond effectively to the requirements of overseas customers, thus potentially leading to higher export performance levels.

In relation to the size of the firm the criteria for measuring it differed among studies (e.g. number of employees, annual sales) making comparisons difficult; and owing to the geographic focus of these studies, the meaning of the terms ‘small’, ‘medium’ and ‘large’ varies greatly in an international context. For instance, some researchers follow OECD’s 1994 definition and consider small and medium-sized enterprises (SMEs) as those firms with up to 500 employees (Brouthers and Nakos 2005), whereas in the Chinese context, SMEs are defined as firms with fewer than 3000 employees (Lingyee and Ogunmokun 2001). In export performance research, the most commonly used criteria for measuring firm size are the number of employees and/or total sales volume. Both of these measures are employed in this study.

The firm was established with an initial capital 57 Million Birr and is undertaking an expansion project (vertical integration) worth 300 million birr. Currently the firm has around 1050 employees. According to the managers, the company is operating at only about 40 percent of its potential (full capacity). Out of the total 850 different machines available only 350 are operational for different reasons among which is the inability of the company to provide products at competitive world prices. Shortage of skilled manpower and production space are also factors for not being fully operational. The managers believe that operating at full capacity could enhance the opportunity of minimum efficient scale production and reduce unit cost and derive prices down to a competitive world prices.

The Ethiopian government is taking some initiatives to tackle the problem of skilled manpower, according to the managers, which include the opening of different training institutions which train mechanics and medium level technicians (Tinsae, 2006). Moreover, the Ministry of Capacity Building in collaboration with the German government is giving substantial help to the company through the Engineering Capacity Building Program (ecbp) by bringing skilled and experienced Garment staff from countries known for the their developed garment industries. This is of paramount importance to the local staff as a way of knowledge transfer.

The average yearly sale (Local and export) for the company in the period under consideration has been 356,402.526 USD. As mentioned in Section 3.2, compared to other international competitors like Chinese and Vietnamese producers the firm’s sales are at a low stage indicating the relatively smaller size of the company.

Taking the working definition of the CSA which puts companies having more than ten employees and using automated machinery under medium and large scale manufacturing industries the company is categorized under Large and Medium scale in the Ethiopian context. The fact that the company is competing internationally calls for a better classification which considers other garment producing firms in other countries. Taking the OECD's definition would be representative for major trading partners of the company like the USA and European countries and renowned garment producers like Turkey are members. Consequently, the company could be considered a large size firm given the 1050 employees it has. The company thus could be said to have better advantage with regard to the number of employees but lags behind in terms of annual Turnover which could limit the firm's expansion and growth.

3.5.4 ICT Implementation

In recent years, Information and communication technology (ICT) has evolved quickly and the level of implementation of ICT has become a determinant for export behavior. This is because the organization must ensure that information is properly processed and exploited to effectively reduce the uncertainty and risk associated with exporting.

Among the highlights in ICT, is the development of the Internet because it allows foreign customers to have more detailed knowledge about the image and international reputation of the company, thereby facilitating exports. In addition, according to Petersen et al. (2002), one of the main barriers to international expansion is the uncertainty of foreign markets, and the Internet can be a tool for reducing asymmetric information (facilitating the creation, retention and transfer of tacit knowledge).

For the efficient and effective decisions of firms on distribution (sales) of goods or/and sourcing supplies (local or imported), the need of relevant, accurate and timely information is very significant. Firms that have such advantages are in a better position to respond for local and export market and in turn can be highly competitive. Access to relevant, accurate and timely information depends on the level of firm information technology or computerization of information exchange technology (Tinsae, 2006).

In the case of modern garment industries, garment suppliers operations are tightly linked to the retailer. The electronically point-of-sale (EPOS) technologies permit a direct real time link between sales, recording and production. The status of Ethiopian garment industry in acquiring information to the right decisions making on supply, production, distribution and marketing issues of firms was found to be in a very infant stage and this in turn severely affects the competitiveness of the industry in international market (Tinsae, 2006).

Exporters tend to seek information and communicate via the Web. Authors like Nieto and Fernández (2005) have used the criteria of the company having its own website as an approximation for the ICT implementation level. In this study the degree of computerization of the organization's production and distribution functions is considered in addition to the above criteria to better depict the level of ICT Implementation.

The firm under consideration does not have a direct computerized inventory system that enables it to have a direct real time link with its customers and suppliers but tries to browse for potential input suppliers using various web sites to import inputs. It also uses the Internet to look for potential buyers of the company's products. This shows that the firm is loosely integrated with suppliers of inputs, wholesalers, and customers around the world. A look at the company's website shows that the website does not have a feature for customers to make online orders and customers are forced to make orders through the phone, E-mail or by using a third party. This limitation to respond to products order in real time according to customer requests is a hindrance for the firm to do business on the basis of online electronic information exchange. The firm has a Broad Band Internet that enables it to meet its customers and suppliers by using E-mail which is the most frequently used means of communication for the company. The company owns a *static* website that does not enable browsers to make online requests and purchases. *Dynamic* website that enables the online and real-time processing of data could enhance the export competitiveness of the company by providing fast and reliable service to customers. Except the company's production functions all other activities like marketing, merchandizing and finance are mostly done by manual systems which lag far behind the automated information systems of the developed world. The company is at a disadvantage in its ICT implementation compared to other competitors who have successfully implemented modern Information Technology to track the needs and preferences of their customers all over the world.

3.5.5 Competitive or strategic advantage

Researchers indicate that the possession of competitive advantages enhances overall export performance. Bharadwaj *et al.* (1983) show that competitive advantages can lead to superior marketplace performance (e.g., market share, customer satisfaction) and financial performance (e.g., return on investment, shareholder wealth creation). Cavusgil and Naor (1987) found that unique firm advantages contribute to a firm's internationalization.

Wiedersheim-Paul *et al.* (1978) attribute a firm's entry into the world market to competitive advantage: they contend that unique competence leads a firm to seek the exploitation of world markets, via trade or investment. According to them, when a firm is aware of the unique assets it possesses, it is more likely to search for wider exploitation of its advantages, including the testing of foreign markets. Three areas of strategic advantage that appear directly relevant to the garment industry; technological competence, labor cost, and company image are included here.

Most findings indicate that perceived technological strengths are positively related to propensity to export (Aaby and Slater, 1989). The company owns state-of-the-art machinery and equipments that give it a competitive advantage over its rivals located through out the world. Most of its machinery and equipments are very flexible and brand new state-of-the art technology and are not available in most of the garment companies. According to the managers, the company's machinery and equipment is the most modern of all garment technologies owned by garment producing firms in Ethiopia.

The fact that the Garment industry is a labor- intensive industry is an advantage to the company as it could easily get cheap unskilled labor in the Ethiopian market. With a population of more than 70 million, and with cheap cost of labor, Ethiopia can provide sufficient labor force with cost-competitiveness for the development of labor intensive textile sub-sector. The cost of labor in the Ethiopian textile sector is not only lower than some Asian nations with developed textile sector, such as China, India, Pakistan but also than some African countries such as Tunisia, Mauritius, Kenya, etc.

The company through its quality products has won the acceptance of so many customers around the world and has built a Brand widely known to the major garment importing companies. Thus, the expansion of sales of these products at lower prices could easily generate a higher amount of revenue for the company as it has been shown that competitive export price levels are positively related to export performance (Kirpalani and MacIntosh, 1980).

Despite the prevalence of competitive advantages vital in the case of garment industry; the company's exploitation of these advantages to better take hold of world market shares has been very minimal due to poor supply chain, low labor productivity and absence of an export market strategy that uses its competitive advantages.

3.5.6 Marketing Information

Foreign market information acquisition reduces "psychic distance" and enhances knowledge of export market practices (Douglas and Craig, 1983) thereby according with Johanson and Vahlne's (1990) contention that export market knowledge generates business opportunities and consequently drives the internationalization process.

A thorough interview has revealed that the MAA garment website has been the main means of communication between the company and its customers which are renowned garment distributors in their respective nations. The company gets orders through the E-mail from customers who have visited its website as the current website does not have features that enable online ordering of products. The Internet has also been the major means of acquiring information about customers, new products, technology and suppliers.

The Internet is widely used by the company to look for new markets in addition to the recent attempts by the Ministry of Trade and Industry to bring customers who could buy the company's products. The company thus relies mainly on its own efforts to get new market for its products. Moreover, it has been observed that the company's interaction was limited to the distributors in the supply chain and does not have direct contact with final consumers of its products. Most of the customers served so far were those who visited the company website without being contacted by the company showing the low level of proactiveness in the company's marketing activities.

3.5.7 Product Quality

The success of securing markets comes along with producing quality and price competitive products. Thus, improving the quality standard of products is a basic task along with improving the productivity of firms. The firm accepts orders and makes the products according to the specification. According to the managers, the company has put in place quality control systems at each stage of the supply chain and therefore has won the acceptance major garment importers around the world through its quality products, but lags far behind in providing these products at fair and competitive prices.

3.5.8 Incentives

The existence of programs sponsored by government and nongovernmental agencies designed to assist firms' export activities contributes positively to the export performance of the firm (Alvarez 2004). The basic objective of these programs is to act as an external resource from which firms gain knowledge and experience. With these extra resources, firms might create or develop existing international networks as well as develop plans to build upon a much more sophisticated analysis of the foreign environment, both of which are vital for successful foreign market involvement.Firms generally perform better when they face a benign domestic environment (Robertson and Chetty 2000).

Ethiopia identifies textile as the key industry to the development of industrialization as well as the exploitation of local resources to promote export in accordance with the policy of Agriculture Development led Industrialization (ADLI). The long-term strategy of the Ethiopian government is not only to develop the textile and garment industry and expand shares in domestic market, but also to develop a competitive, profitable industry in the export market. The Ethiopian government has been steadily pushing towards market-oriented reform by means of developing the private sector, deregulating rigid control over the economy, liberalizing foreign exchange, lowering tariff rate, etc. Given that export promotion is of paramount importance, the government has issued a series of export incentives. All in all, in terms of macro economic policy, the Ethiopian government has created an enabling environment for the development of textile sub-sector. The Ministry of Trade and Industry has launched textiles and garment export forum to attract domestic textile and garment exporters into the discussion of issues and future development for textile and garment sector in order to promote the export of textiles and garments. The following are incentives provided by the Ethiopian government to Garment producers involved in export trade and the company has exploited at different times.

- Export Trade Duty Incentive Scheme
    - The purpose of the scheme is to relief exporter from the burden of duties and taxes that add to the cost of an export product, which can make a significant impact on export competitiveness
- Three types of duty incentive scheme are available:-
    - Duty drawback scheme: exporters would be refunded 100% of the duty paid on raw materials used in the production of commodities upon exportation of the commodity processed. And the duty includes all indirect taxes and duties paid on raw materials and commodities imported or produced locally.
    - Voucher scheme: A voucher is a document having monetary value, printed by the Ministry of Finance and Economic Development, to be used as deposit for duties and taxes payable on imported raw materials, the voucher is issued by Ethiopian Customs Authority in the amount of taxes and duties paid on raw materials they may import.
    - Bonded manufacturing warehouse scheme: the beneficiaries are producers wholly engaged in exporting their products, and who are not eligible to use the voucher scheme.
- In addition to the above incentives, government has made available land for investors. They have been given an industry area where they can buy land at a very minimal price or they rent it with minimum amount. The area given has all the infrastructure like electricity, telephone, fax, water, and road.
- Investors can import machinery with no tax with all the attachments.
- The government has been investing in capacity building for exporters to have skilled manpower. Since there is scarcity of human resources in the textile sector government has been training through government training institutions to make available for investors.
- The government also gives 70% of the capital that investor's use and only 30% is required from the investor. This is done through the development bank of Ethiopia.

3.5.9 Overall rating of the export performance by managers

All the interviewed managers believe that the company's export performance has been at a low stage compared to competitors and company plans and expectations. The company has exported little compared to major competitors around the world and has miserably failed to attain its own goals and aspiration of becoming a major exporter of garment products. Moreover, it has failed to expand its sales to countries for which there are a preferential market accesses and has shown a decline in the shares of export sales in recent years. According to the managers, the company could have exported more in the period given the level of technology it possessed and the availability of cheap labor and incentives. They stress the need to boost the export performance through enhanced productivity and integrated supply chain.

CHAPTER FOUR

CONCLUSION AND RECOMMENDATION

4.1 Conclusions

The following inferences are made by the researcher based on the data collected and analyzed in the previous section. The conclusions drawn are categorized based on the main performance dimensions used in this study.

Foreign Sales percent of the Total Sales (FSTS)

- Even though the company was established with the export market as its target, export intensity for the last two years indicates that there is a balance between Export and Local sales.
- The Export Intensity has a decreasing trend in the period and the main reasons for the dwindling of export shares were problems in supply chain and low export profitability.
- Both local and export sales have increased in the period but at a very different rates.

Export Level and Growth

- The company's average yearly export sales i.e. the average of the yearly export sales during the five years time is around 3.4 million Birr.
- The growth in the export sales is characterized by fluctuations with no consistent pattern of growth/decline. Export sales have grown on average by 4.5 percent in the period.
- Compared to the expansion of local sales and the exports of other major garment producing firms, the company's level and growth of export sales stood at a low stage.
- The company's low level and growth of exports is attributed to the low productivity of the company where the main causes are:

- The inefficiency and low working culture of the existing manpower
- The high turn around time from order to delivery
- Long lead-time to collect inputs
- Large standard minute value compared to major garment producing companies
- Inability to deliver products as per agreements and deadlines
- High down-time due to power interruptions, maintenance problems, and higher absenteeism rate
- Unfavorable attitude towards Ethiopian products

Export Commitment

- The company lacks the export personnel with knowledge about foreign environments and international operating adjustments. The marketing department is staffed with people with less experience in business in general and exports in particular.
- The company is at a good position with regards to its regularity in exports. This could make it competitive in the international market by serving as a learning process in which the company is accumulating international business knowledge and experience, hence its exporter behavior.
- The firm currently does not have a visible export marketing strategy that enables it to compete in a particular fashion in the international market.
- Even though the company was established with a foreign market orientation, it does not have a separate department/section, nor does it have an executive responsible for exports. Both local and export marketing are the responsibility of the marketing department.
- Despite the widely accepted believe that marketing research is an important element in the firm's foreign success by enabling firms to learn and to use this learning more efficiently than others, the company has not conducted any export research since the time it started export trade for lack of budget and manpower.
- The company was poor in achieving its annual plans and has failed to have a long-term plan that could shape its export operations.

- The firm could be said to follow a reactive strategic orientation as it lacked proactiveness to taking the initiative in venturing out to seek opportunities and in investigating alternative responses to a changing environment.
- Even though the organization was established to exploit the export market, it has been observed that the MAA garment management is less committed to the export trade.

Export Experience

- The company is at a low level of geographic diversification and exporting experience showing the unsuccessfulness in international expansion.
- The geographical proximity affects transport costs and export controls. The company current exports are destined to the USA and European markets which are relatively distant to the Ethiopian market and have less similarity in terms culture, institutional settings, behaviors, market conventions, industry structures and local business conventions of with the Ethiopian market.
- Due to the presence of the AGOA, the majority of the company's exports were sent to the USA.
- The company's attempts to expand exports to nearby African countries as well as other countries rather than the USA and Europe have been very minimal.
- The company has exploited the AGOA and the EBA Preferential Market Accesses better that other PMAs and Bilateral agreements. The COMESA and other bilateral agreements have not been exploited by the company.
- Few customers (companies) have been served in each nation showing the low level of geographical diversification the company has in its market base. Moreover, the company's attempts to expand to new markets were minimal.
- The company currently does not have a foreign subsidiary which could have enhanced the chance of exporting in better quantity by reducing costs and uncertainties of foreign markets entry.

Other Dimensions

- The company like other Ethiopian Garment producing firms highly relies on foreign inputs and accessories. Foreign inputs and accessories for the company are characterized by long lead-times, high prices and no problem of reliability exists.
- Local inputs have quality problems and are not found in the desired quantity and suppliers are not reliable.
- The company was very poor in creation of strong, long-term relationships based on mutual cooperation and mutual interdependence with suppliers and end users; but was able to create better relationship with the distributors.
- The company enjoys fast and reliable transportation system at reasonable prices and the commencing of Letter of Credit (LC) service in the CBE; Mekelle Branch has enhanced the company's trustworthiness in international business.
- The company is operating at only about 40 percent of its potential (full capacity) which prevents the advantages of Economies of Scale and other size related advantages.
- Even though the company is considered a 'Large firm' taking the size of employees it has; it is at a disadvantage with regard to its annual turnover which could limit the firm's growth and expansion.
- There is a lack of management, sourcing, and marketing skills and the company lacks skilled human resource with the necessary knowledge and skills. The government is facing this challenge by training human resources through specialized schools so as to be able to have skilled manpower.
- The current static website has enabled the company to have a web presence which time demands but lacks the feature for buyers to make online orders. Buyers are forced to make telephone calls or use the E-mail to request for products.
- Except the company's production activities, most of the functions in marketing, finance, and merchandizing are done manually. Information processing and distribution in the company thus lacks the accuracy, speed and reliability that automated systems provide.

- The company is at a disadvantage in its ICT implementation compared to other competitors who have successfully implemented modern Information Technology to track the needs and preferences of their customers all over the world.
- The firm possess competitive advantages in the following areas
    - It owns state-of-the-art technology which is not easily available in other garment producing companies
    - It could easily get cheap labor supply in the Ethiopian market
    - The company has quality products which have won the acceptance of garment importers
- The company mainly relied on the use of the Internet to look for new market and communicate with customers and suppliers, and to promote the company. The company was reactive rather than proactive in its marketing activities as most orders were the result of customers' visit of its website.
- The company products have won the acceptance of major garment importers around the world for their quality.
- The firm is operating in an environment where textile and garment is viewed as a key industry to development and that is provided by so many incentives for its development. The company is currently exploiting different incentives provided by the government.
- The managers believe that the company's export performance has been at a low stage compared to competitors and company plans and expectations. They stress the need to boost the export performance through enhanced productivity and integrated supply chain.

4.2 Recommendations

This section deals with possible recommendations for the enhancement of the export performance of the cased organization. These recommendations forwarded by the researcher are based on the previous findings and conclusions.

Foreign Sales percent of the Total Sales (FSTS)

- Due to the negative relationship between the attractiveness of the domestic market and export growth, the company needs to change the current trend of increasing domestic sales shares in a bid to increase exports.
- As the company was established with the objective of exploiting the international market; it has to aggressively look for ways to improve its productivity levels and to increase its Export Intensity.
- The company needs to increase its export profitability by producing products at costs which enable it to compete internationally.

Export Level and growth

- The company has to boost the working culture of its employees which currently is at very low stage. Different attitudinal changing and awareness creating programs shall be arranged to motivate employees and decrease absenteeism rate.
- Establishing strategic relationships with suppliers could solve the problems related to supply chain by reducing the lead-time and reliability problems.
- The company should use available opportunities like the CMT exhaustively as it gives the company better competitiveness in the international arena.
- The company in collaboration with other governmental and non-governmental organizations should actively participate in trade fairs and promotional activities to change the image importers have toward Ethiopian products.
- Producing at full capacity could give the opportunity to enjoy economies of scale benefits and hence decreased prices for the company's products.
- The company needs to increase its competitiveness by increasing vertical integration which is starting soon and by capturing economies of scale.

Export Commitment

- The company needs to have qualified personnel to craft, implement, and execute marketing strategies so as to stake out a market position, conduct its operations, attract and please customers, compete successfully, and achieve organizational objectives.

- Managers need to be trained to understand how operating differences are brought about by international business activities. Therefore, programs to develop managers internationally must be tailored to some extent to specific individuals and situation of the company.
- The company needs to arrange training and educational programs to its employees especially those who have direct international responsibilities to convey specific knowledge about foreign environments and international operating adjustments and to train in interpersonal awareness and adaptability.
- The company needs to adopt an export strategy that results from matching the firm's skills and resources, environmental opportunities and managerial preferences to achieve and sustain positional advantages through the efficient execution of planned competitive strategy.
- The company should ensure that the elements of the marketing program (product, price, promotion and distribution) are standardized or adapted across markets.
- The establishment of a separate export department could render a lot of benefits in terms of
    - Enhancing better focus and commitment to exports
    - Retaining knowledge pertaining to exports and triggering researches
    - Better planning and control of exports and
    - Imparting an export orientation to the employees.
- The company's top managers including the CEO have traveled abroad to attend trade fairs and in search of foreign markets. Making additional regular visits could enhance experiential knowledge and objective knowledge development in relation to overseas markets and operations.
- It has been observed that the company owners are with good international experience and the company needs to enhance the international experience of its managers as they are the ones who are directly responsible for its operations. This could be facilitated through regular export market visits in tradeshows and workshops.

- The company needs to have better export planning and control system and needs to adopt a long-term plan which dictates how export should operate. Its plans need to be realistic and achievable.
- Having a proactive strategy would make the firm to be aware of internal and external conditions, thereby exhibiting informational advantage and better performance.
- Enhanced commitment from the top managers could greatly help to carefully plan the entry and allocate sufficient managerial and financial resources. This would lead to reduced uncertainty and effective implementation of a marketing strategy leading to better performance.

Export Experience

- The company should expand its sales to countries with better similarity to the Ethiopian market as demands are not placed upon the company to make great efforts in making adjustments, which reduces uncertainty.
- The company needs to expand its base to other countries rather than the USA before the AGOA expires (2015). The company should also use the COMESA and other bilateral agreements to expand its sales to those markets which have free tariffs and quotas. Moreover, it should make further attempts to expand the customer base with in each nation reached.
- The company should enhance its knowledge of destination markets by doing business in these markets and learn how to act and react with consumers, intermediaries, competitors and public authorities as this sort of knowledge could never be replaced by obtaining general information about the market or via surveys.
- Instead of passively waiting for orders to come though the company's website, the company should aggressively look for new markets.

Other Dimensions

- The company shall establish long term (strategic) relationships with local suppliers to avoid the problems of quality and reliability.

- Since foreign inputs are costly, there is a need of establishing vertically integrated textile and accessories plant which can help to source the inputs locally (self) with reasonable prices.
- The company in collaboration with other garment producing firms could enhance its supply chain by means of joint purchasing. The main advantage that is derived from this mechanism is economies of scale in which firms benefit from reduction in cost of production and decreased setup cost.
- The company needs upgrading of its human skills to deal with the technological changes taking place in the garment industry.
- The company shall exploit the opportunities provided by the ecbp as it could enable it as way of knowledge transfer from people with advanced skills in the garment industry.
- The company needs to enhance compensation/incentive plans with hopes of increased per person productivity.
- The company should exploit size related advantages like economies of scale by enhancing its production which currently is at low level compared the company's full capacity.
- The company could make its website dynamic so that buyers are able to market products online and enhance the communication of the company with its customers, suppliers and other stake holders.
- The company would benefit from automated systems by having databases to track and take care of customers' preferences and purchasing behavior. Better information processing and communication could be achieved by integrating the different functions in the different departments through the use of ICTs.
- A direct real time link to input suppliers through the use of electronically point-of-sale (EPOS) technologies could enhance the supply chain of the organization by way of having better information exchange between the company and its suppliers.
- The company needs to work on its strengths to exploit the advantages it possesses.

- By aggressively looking for ways of enhancing productivity the company could use the advantage it has acquired through its quality products to expand its export sales.
- The company shall use proactive marketing strategies in addition to the use of website for customers to visit and wait for orders. The company also needs to make oversees visits regularly to look for new markets, contact suppliers and customers because depending fully on the Internet may have its own disadvantages like less reliability and less interpersonal relationships due to the lack of face to face contact.
- The firm shall further exploit the opportunities provided by the government agencies to better enhance its exports.

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Appendix A

Interview Schedule

This interview is prepared to assess the Export Performance of the MAA Garment in the years 2004/05-2008/09. Questions are developed after secondary data have been analyzed by the researcher; hence information that could be easily found from these secondary sources is not included in this interview. The respondents for this interview are the heads of Marketing, Merchandizing, and Planning Departments as these are believed to be the key informants for the case under study.

1) Measuring the Export Intensity (FSTS) for the cased organization

- On which of the markets (local, export) do MAA emphasize currently?
- What was the motive behind exports? (Diminishing domestic sales, Saturated domestic market, Intensifying domestic competition, Unsolicited orders from abroad Production capacity availability Economies resulting from additional orders, Managerial beliefs about exports, Managerial export experience, Attractive export incentives, National export promotion policies, Attractive profit and growth opportunities oversees, New information about sales opportunities oversees, Possession of unique products appropriate for serving export markets, Favorable currency movements, Opportunity to increase the number of country markets and reduce the market-related risk, Eased product regulations in target country)
- Why is there a balance between the two (in recent years)?
- Does this much with the expectation of the organization (export intensity)?
- A decrease in the Intensity of Exports, Why local market?
- What can be done to increase exports?

2) Measuring the Export sales level and growth in the years2004/5-2008/9

- Data shows there is an increase in export sales in the years 2004/5-2006/07, but there is a sharp decline in 2007/08, any reason?
- Only 12.45% of the total quantity ordered from july08-june09 has been shipped. Why?
- The company is exporting little when compared to the market potential, why?

- How do you rate the level and growth of exports in MAA?
- What are the reasons for the low level of exports compared to other international exporters?

3) Assessing the Export Commitment of the cased organization

a) *Separate Export Department*

- Does the company have a separate department responsible for Exports?
- Who is currently handling exporting activities?
- What is the organization of the Marketing department like?
- Export Executive- does the firm has an executive responsible for exports?
- Is there any reluctance of top management to allocate adequate resources to export tasks?
- How do you evaluate the attitude of top management to exports?

b) *Export Regularity*

- How often do you export? Data for 2008 reveals that MAA has exported at least once in a month; so do you consider yourself sporadic or regular exporter?

c) *Export orientation*

- Where is the main market segment for the firm? (Domestic, Foreign, Both)

d) *Export Planning and Control*

- Do you have Export Planning and Control mechanisms?
- How is its implementation?

e) *Research &Development in Exports*

- Do you have R&D in exports?
- How is its implementation/result?

f) *Regular export market visits*

- Do you make any export market visits abroad?
- How often?

g) *Export marketing strategy*

- Do you have an export marketing strategy apart from local marketing strategy? Mention, if any.
- What could be the strategy to improve competitiveness of the firm in the future?

h) *Availability of export staff*

- Do you have qualified staff that can handle the export activities in the marketing department? What are their qualifications?
- Do you arrange trainings / education to your staff to equip them the knowledge required in international business? trained in house, trained in special courses in country, trained in special courses in abroad, Other
- What are the main reasons of difficulty in obtaining skilled Labor in Exports? Low wage, Inconvenient working place, Scarcity of labor, Implement job/ nature of the job, Other please specify
- Is there any lack of 'experts' in export consulting?

i) *Management characteristics*

- How committed is the top management to exports?

4) Measuring the Export Experience of the organization

a) *Years of Exporting*

- When did the company begin exporting?

b) *Geographic Diversification*

- Most products are shipped to a single nation (USA), why?
- What are the reasons for the little geographical diversification observed?
- Does the firm export its product using preferential market access?
- The firm is highly exploiting the AGOA, Why not EBA, Japan, Canada…?
- Which preferential markets the firm export its product? European union, everything but arms, United States, African growth and opportunity Act, Canadian, Japan
- The company is currently exploiting the AGOA better than the other PMAs, Why?

c) *Export Destination Market*

- The company is exporting to the USA and Europe, Why not other countries?

d) *Rate of new export market entry*

- What attempts have been made to expand your export market base?

e) *International Experience*

- Do you have a foreign subsidiary?
- Is there any foreign shareholder in the company?
- What are the reasons for the firm to operate a garment plant in Ethiopia? Low Labor cost, Skilled labor availability, Trade incentives, Investment incentive, AGOA initiative, Reputation for quality textiles, Over all political and business environment, Other

5) Evaluating the Export performance of the organization as assessed by its managers in terms of

a) *Supply chain*

- What are the firm's sources of inputs? (Fully Imported, Partially imported, Locally supplied in percentage terms)
- Which inputs do you import and which do you purchase locally?
- Are foreign suppliers reliable?
- What problems are there with foreign suppliers?
- What are the problems with importing inputs? (Delay in clearing goods through customs, Duty exemption is not recognized, Reliability on foreign suppliers is problematic, Problem with licensing/authorization to import, High cost of inputs, Minimum order size, other
- Could the company use local inputs instead of importing? Absence of inputs, Lack of inputs, Inferior quality, Problem with reliability, High cost of inputs relative to imported, Other
- What problems do you have in distributing goods?
- Do you have difficulties in transportation cost and availability to export the products?
- How do you sell your products (Direct Sale, Intermediaries…)?
- Have you established long term relationship with parties on the supply chain?
- What is the Average Turn Around time from order to delivery and what is the average lead time in the company?

b) *Marketing Information*

- Who searches market (customers)? Self, Ethiopian Government, Agents, Chamber of Commerce….
- How do you get data / Information regarding foreign markets?
- How does the firm communicate with its foreign suppliers and customers? Electronic information exchange, Computerized inventories, Website, other
- Do you have direct link with your buyers or are there intermediaries?
- How does firm seek market for its products? On subcontract to large manufactures, By contacting brand label companies, By contacting retailer on the foreign/domestic market, By using its own destination market, By using Jobbing, Other
- What are the sources of information for learning about export market/new technology/ product TV, radio, film; Foreign newspaper and Magazines; Internet; Government (foreign affairs); Chamber of commerce or professional association; Exhibition and trade fairs; Material input and Equipment supplier; Wholesaler or retailer abroad; Personal brokers , Other,
- Do you get sufficient information about oversees markets, Explain?
- Do you have adequate promotion in export markets, Explain?
- Do you have lack of information on oversees distributors, Explain?
- Do you have effective communication with oversees customers, Explain?

c) *Production Technology*

- How do you rate your level of production technology compared to other companies involved in similar business?

d) *Firm size*

- What is the number of employees in the company?
- What is the amount of initial investment, and currently?
- What percentage of the firm capacity is utilized?
- What are the reasons for not being fully operational, if there is untapped potential? (Raw materials shortage, Spare part shortage, Lack of market, Working capital shortage, Frequent machinery breakage, Government rules and regulation, New establishment, Others

e) *Product Quality*

- Do you face Quality problems in export packaging, Explain if any?

- Do you face difficulty in meeting importer's product quality standards, Explain if any?
- Do you have product design and style acceptable in export markets?
- Do you adapt your products to foreign customers needs?
- What are the Foreigners' perceptions towards your products?

f) *Incentives*

- Do you get sufficient assistance and incentives in exports from the Ethiopian government, Explain?
- Which incentives are you currently using (Loan for export companies, Export Trade Duty Incentive Scheme, Duty drawback scheme, Voucher scheme, Bonded manufacturing warehouse scheme, Land for investors, Tax free import of machinery…)?
- What problems do you face with regard to incentives (Insufficient devaluation of the domestic currency, Complexity of export documentation requirements, Complexity in customs clearance, Ineffective national export promotion programs, Lack of government assistance in overcoming export barriers….)?

g) *Competitiveness*

- Is there a strong international competition and who is/ are the main competitor(s) of the firm in the foreign market? (Domestic firms Other African countries, East Asian countries, East Europe, Caribbean and North America, other)
- What competitive advantage does the company has over its competitors?(Production method, Quality control process, New product development capability, Range of products offered, Personnel experience and training, Operating efficiency, Importer's distribution network, Export market/marketing knowledge, Company reputation, Promotional efforts, Assessment of export market developments, Personal contacts with overseas distributors, Proximity to export market, Product quality, Product uniqueness, Price competitiveness, Cost of raw materials)
- What competitive disadvantage does the company has compared to its competitors?
- What was the strategy to improve competitiveness of the firm in the past/ and in the future, if any? Improve the networks with input suppliers, Expand total production capacity and invest in advance production technology, Computerize design and

manufacturing, management and input sourcing, advertising and marketing, Diversify domestic sales into exports, Other

- What are the factors that contribute for competitiveness of firms in the past? Reduce production cost, Advanced technology, Specialized production, Diversified production, On time supply, Make use of preference capital, Direct access to quota, Marketing system economize material input, Good management staff, Skill of labor, other

h) *ICT implementation*

- Does the company have a website?
- How is the degree of computerization of the organization's production and distribution functions?, Product design; pattern makeup, layout, cutting , Assembly; Inventory management; order control, customer relation, input, sourcing searches, Output marketing, other

i) *Overall export performance*

- How do you rate the overall export performance for your company compared to other competitors?
- How do you rate the overall export performance for your company compared to company plans/objectives?
- How satisfied are you with the current export performance?

Appendix B

MAA GARMENT FACTORY

FIVE YEARS COMPANY PERFORMANCE
FOR THE YEARS 2004/05 UP TO 2008/09

S.N	DESCRIPTION	2004-05	2005-06	2006-07	2007-08	2008-09
1	**PROUCTIVITY (Qty)**	125,180	172,226	194,648	397,108	282,910
2	**Sales**					
2.1	**Export Sales (USD)**	317,771.16	377,414.60	516,402.80	279,322.41	291,101.66
	Sales Volume (Qty)	114,436	156,569	180,230	367,693	261,054
	Total Export Sales (In Birr)	2,974,833.73	4,767,093.84	4,767,093.84	3,068,682.20	3,292,143.51
2.2	**Local Sales (BIRR)**					
	Sales Volume (Qty)	5,153	81,171	82,164	236,179	248,748
	Fabric sold	-	-	-	600,598.26	306,000.00
	Finished Goods sold	51,531.62	974,049.36	985,969.81	2,834,150.95	2,984,970.35
	Total Local Sales (In Birr)	51,531.62	974,049.36	985,969.81	3,434,749.21	3,290,970.35
3	**Net Sales (Export & Local)**	3,026,365.35	3,607,204.37	5,753,063.65	6,503,431.41	6,583,113.86
2	Cost of Sales	2,579,581.88	3,265,138.17	5,788,544.51	13,119,885.50	16,970,559.53
3	Gross profit (Loss)	446,783.47	342,066.20	(35,480.86)	(6,616,454.09)	(10,512,024.00)
4	Other Operating Income	257,331.28	82,149.36	22,011.61	70,254.51	274,460.94

5	Other Mfg Costs	7,973,186.63	8,419,793.78	8,276,169.73	-	-
6	Selling & Distribution Expense	442,261.18	996,971.58	935,746.59	1,374,121.13	811,160.62
7	Administrative Expenses	4,430,643.40	4,016,114.71	4,016,571.27	4,883,677.98	5,178,910.99
8	Financial Costs	-	-	-	186,439.23	240,599.85
9	**Net Income (Loss)**	(12,141,976.46)	(13,008,664.51)	(13,241,956.84)	(12,990,437.92)	(16,468,234.52)
10	**Gross Margin Ratio (Gross Profit/Sales)**	0.15	0.09	(0.01)	(1.02)	(1.60)
11	**Net Margin Ratio (Profit after tax/Sales)**	(4.01)	(3.61)	(2.30)	(2.00)	(2.50)
12	**Operating Margin (EBIT/Sales)**	(4.01)	(3.61)	(2.30)	(2.00)	(2.50)

Appendix C

MAA GARMENT FACTORY

Export Products with Price

From 2004/05 F.Y – To Feb 2009/10 (Only Three Years data included Here)

S/N	Year/Month	Customer/Buyer	Style No	Product Specifaction	U/m	QTY Shipped	Unit Price In USD/Eur	Total Amount in USD
1	2004/05	Bonghwa USA, Inc	48781	Fleece Men Knit	pcs	45,276	1.11	50,256.36
2			48760	Fleece Men Knit	pcs	7,836	1.14	8,933.04
3			48761	Fleece Men Knit	pcs	26,268	1.02	26,793.36
4		Royal Family Limited		Boy's set (4 pcs) Vest,Tie,Shirt & Trouser	set	17,739	4.50	79,825.50
5				Boy's Suit Single Button	set	12,558	9.35	117,417.30
6				Boy's Suit Double Button	set	2,869	9.90	28,403.10
7		Rahel Zerihun,		Basic T-shirt With	pcs			

		USA		Embroidery		1,890	3.25	6,142.50
				Total To Year 2004/05		**114,436**		**317,771.16**
1	2005/06	Siggi Confezioni-Italy	238012	Labor Bib Trouser	Pcs	2,558	3.99	10,206.42
2			234013	Labor over all	Pcs	3,168	5.38	17,043.84
3			236010	Labor Jacket	Pcs	160	3.73	596.80
4			131008	Labor Appron	Pcs	160	4.12	659.20
5			235019	Labor Trouser	Pcs	159	3.56	566.04
6			237013	Labor Blouson	Pcs	159	3.70	588.30
7		Champro USA	Youth	3/4 sleeve under shirt for youth	Pcs	33,446	1.68	56,189.28
8			Adult	3/4 sleeve under shirt for Adult	Pcs	16,769	1.98	33,202.62
9		Klow't(Royal mail)-UK	20104	Red polo shirt with embrodary	Pcs	26,490	3.09	81,854.10
10			20069	Red polo shirt with embrodary	Pcs	2,400	3.55	8,520.00
11		Belk International-USA	79G 4603140	Boy's Turtle Neck T-shirt	Pcs	17,778	2.80	49,778.40
12			79G 4183140	Boy's Mock Neck T-shirt	Pcs	17,724	2.05	36,334.20

13			79G 4513140	Boy's Mock Neck T-shirt	Pcs	18,768	2.30	43,166.40
14			79I 4513140	Mock neck L/S T-shirt	Pcs	16,830	2.30	38,709.00
				Total To Year 2005/06		**156,569**		**377,414.60**
1	2006/07	Belk International-USA	79H 3542220	Mock neck L/S T-shirt	Pcs	5,247	3.60	18,889.20
2			79H 3552220	Mock neck L/S T-shirt	pcs	26,004	3.20	83,212.80
3			79J 3552220	Mock neck L/S T-shirt	Pcs	21,954	3.20	70,252.80
4			79I 3552220	Mock neck L/S T-shirt	Pcs	8,820	3.20	28,224.00
5			79I 3552221	Turtle neck L/S T-shirt	Pcs	10,740	3.30	35,442.00
6			79I 4513149	Boy's Turtle Neck T-shirt	Pcs	8,400	2.00	16,800.00
7			79I 4603149	Boy's Mock Neck T-shirt	Pcs	10,818	2.50	27,045.00
8			79I 4183149	Boy's Mock Neck T-shirt	Pcs	1,980	1.80	3,564.00
9			79J 1461481	Mock neck L/S T-shirt	Pcs	22,512	2.95	66,410.40
10			79J 1461482	Turtle neck L/S T-shirt	Pcs	53,976	2.95	159,229.20
11			BU 040	Classical Trouser	Pcs	1100	1.18	

								1,298.00
12			BU 051	Classical Bomber Jacket	Pcs	600	0.82	492.00
13			BU 020	Short sleeve T-shirt	Pcs	771	0.52	400.92
14		DVH-Whitewater	BU 060	Classical Twill Shirt	Pcs	1500	1.26	1,890.00
15			BU 021	Long sleeve T-shirt	Pcs	5808	0.56	3,252.48
16				**Total To Year 2006/07**		**180,230**		**516,402.80**